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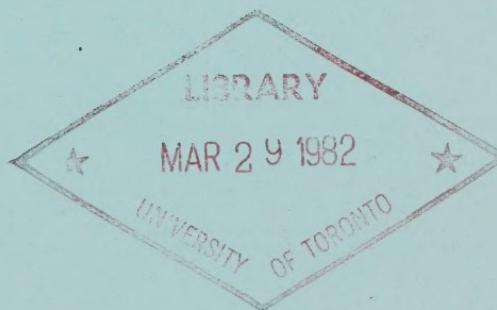
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PS-13 & 14 (1981)

SELECT COMMITTEE ON PLANT SHUTDOWNS
AND EMPLOYEE ADJUSTMENT

MCDONNELL DOUGLAS CANADA LAYOFFS
CANADIAN ORGANIZATION OF SMALL BUSINESS

TUESDAY, JANUARY 20, 1981



SELECT COMMITTEE ON PLANT SHUTDOWNS AND EMPLOYEE
ADJUSTMENT

CHAIRMAN: McCaffrey, B. (Armourdale PC)
VICE-CHAIRMAN: O'Neil, H. (Quinte L)
Cooke, D. (Windsor-Riverside NDP)
Cureatz, S. (Durham East PC)
Mackenzie, R. (Hamilton East NDP)
Mancini, R. (Essex South L)
Ramsay, R.H. (Sault Ste. Marie PC)
Taylor, G. (Simcoe Centre PC)
Turner, J. (Peterborough PC)
Van Horne, R. (London North L)
Williams, J. (Oriole PC)

Clerk: White, G.

Researchers:

Eichmanis, J.
Jennings, R.F.

Morning sitting:

Witnesses:

From McDonnell Douglas Canada Limited:
Gollihar, C., Vice-President (Fiscal) and Treasurer
Lyons, J.A., Director, Personnel Services

From United Auto Workers:

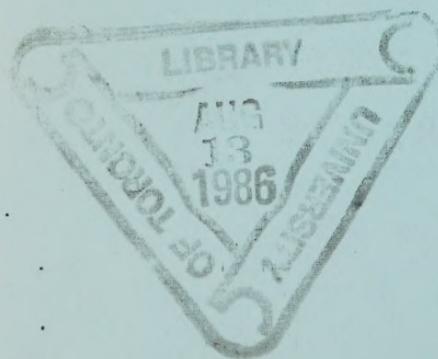
Cole, E., President, Local 673
Cowgill, B., Office Chairman, Local 673
Khalid, M., Plant Chairman, Local 1967
Patrick, W., President, Local 1967
Robertson, S., Vice-President, Local 1967

Afternoon sitting:

From the Ministry of Treasury and Economics:
Miller, Hon. F.S., Treasurer; Minister of Economics

Witness:

Hale, G.E., Ontario Policy Director, Canadian
Organization of Small Business



LEGISLATURE OF ONTARIO

SELECT COMMITTEE ON PLANT SHUTDOWNS AND EMPLOYEE ADJUSTMENT

TUESDAY, JANUARY 20, 1981

The committee met at 10:14 a.m. in committee room No. 1.

MCDONNELL DOUGLAS CANADA LAYOFFS

The Vice-Chairman: I think we will get under way, if we could ask the representatives from the McDonnell Douglas company to come forward. While they are taking their seats, I understand that Mr. Cooke would like to present something to the committee.

Mr. Cooke: Last week there was a fair amount of coverage both in the Toronto papers and provincewide about a study done by the Ministry of Treasury and Economics on the long-term prospects of mass plant closures and layoffs in the auto industry. That report, to date, is confidential within the ministry, and I would like to move that this committee request from the Treasurer (Mr. F.S. Miller) a copy of that report for our deliberation in this committee.

The Vice-Chairman: Thank you, Mr. Cooke. You are making that as a motion, or--

Mr. Martel: I hope it would get unanimous consent. If we need a motion, then we will move a motion.

Mr. Ramsay: I would like to speak to that motion if I may, and perhaps introduce an amendment to the motion.

Anticipating that this resolution might come forward, I took it upon myself yesterday to speak with the Treasurer. He is concerned that this report is actually not a report, but an internal working paper, one of many which come across his desk from his staff from time to time.

I got the feeling in talking with him that he would not be averse to coming here--this is an assumption on my part--and discussing with us the contents of that paper and answering any questions. For that reason, I would move an amendment to the motion.

The Vice Chairman: Mr. Ramsay moves that the motion moved by Mr. Cooke be amended to the effect that the committee invite the Treasurer of Ontario to appear before the committee to speak directly to the report.

Mr. Cooke: If I could speak to the amendment, I might point out that while I would like to speak to the Treasurer about the report, I would like to see a copy of the report as well.

I understand Mr. Ramsay's comments about the report being a working paper at this point, but the report was in a form that it was sent to consultants in the United States for their reaction to the report. The report is such that the authors of the article in

the Toronto Star were able to gather a great deal of information from it. It is probably the most devastating report on the auto industry which has come out to date.

There will be questions for the Treasurer, but I think it is essential that we see the report, get the details, find out what the employment prospects are and not just get the interpretation of that report through the Treasurer. I want to read the report and I want to share that with my constituents and the auto workers in this province whose jobs are on the line. I think it is essential that this committee see the statistics, the entire report, and then question the Treasurer on what the reaction to the report is in his long-term planning in order to counteract it.

I am particularly interested in the one aspect of the report which refers to the foreign engine plant, where both levels of government put in \$68 million, and which the report predicts will in three years be a white elephant. I want to see what the provincial government has done in terms of making sure that plant, is retooled, if necessary, and has a long-term future for the 2,000 potential workers at that Ford engine plant in Windsor.

Mr. Williams: I think we are all interested in the content, the subject matter of the document in question, but I think it is traditional that we ask before we demand. It seems to me that sometimes you accomplish more by asking for something rather than demanding. It is in that sense that I think the amendment would be in order and that we would hear from the Treasurer.

At that time, I am sure if he does not offer it on his own initiative, we could request that document. If that is not forthcoming and it seems that information should be made available, then one can consider resorting to the procedure expressed by Mr. Cooke, but I do not think we should be coming on heavy-handed at this point. We are most interested in the subject matter of the motion, but I think there are ways and means of going about this which are more productive. I support the amendment.

Mr. Mackenzie: As I recall my colleague's remarks, he asked that we contact the minister immediately, asking for the report, and I think we should have a response back on that immediately, if he is not prepared to give us the report. I think if the report comes, the minister probably should come with it. But if he is not prepared to, then obviously we need a more formal action taken.

It is absolutely essential that we have it, because you only have to look at some of the articles which have already appeared to realize that the minister has responded in detail to at least five major concerns in an interview with the press.

I find the remarks of Deputy Minister Brian Davies, that "There is no sense putting out reports unless you have solutions," to be incredible. I also want to see the report that talks about at least one in five auto jobs disappearing even with the recovery, and the five other major points that the minister dealt

with. I want to know what these remarks were based on.

I think we should be requesting the report; we should be requesting it immediately for this committee to look at. That is the mandate of this committee. If we do not get the request answered--I am perfectly willing to go through the request route this morning--but I sure as blazes think that at that time we either have the report or we have to deal with it formally.

Mr. Martel: I am prepared to see us ask for the report, but I do not think I am prepared to talk to the Treasurer when I work at the disadvantage of not knowing the content of a report. I do not know how I can, in a sensible or comprehensive fashion, question the minister on the basis of a few newspaper reports.

Until we have access to the document and we have an opportunity to study its contents, we work at a disadvantage. We see from the news headlines that the contents are devastating to workers and I think they should know from where and from what the content of that report is based. To try to discuss it in limbo almost is really difficult to do.

10:20 a.m.

To use lawyers as an example, I don't suspect a lawyer can discuss a case rationally until he has seen all the documentation before him. You work from a disadvantage. I would go the route of asking the minister to submit a copy of a report, give us an opportunity to go through it and then meet with him to discuss it with his staff who drew it together.

But to do it blindfolded, I am not prepared to be party to discussing something that I do not know the full details of, and I would suggest that we get on with asking the minister to make copies available this morning. Should he refuse, then we have no option but to proceed in a different manner. I would hope we would not have to do that.

Mr. Williams: I think it is rather incredible that we would not have the courtesy to invite the minister, whose ministry is responsible for authoring the report, to come before the committee to speak to this matter and at the same time, perhaps, offer the documentation that is being asked. It seems to me inappropriate not to have the two go together, particularly if the minister has offered to come before the committee if invited to do so. I think it would be remiss of us to deal with the report in isolation and not have the minister responsible for same before the committee to speak to it at the same time.

While I see no objection to asking for this document--in that respect we support that principle--but surely let us do it, not piecemeal, but with the involvement of the party who is responsible for speaking to that report.

Mr. Martel: I am not suggesting we deal with it in isolation. I am asking that we have the report and have an opportunity to read it. Then we can discuss it rationally with the minister.

Are we going to spend two hours reading through the document with the minister sitting here before us, or is it more sensible to read the document in advance and come here prepared to discuss it?

The latter seems to be more logical, particularly if one looks at the time frame we are in and the number of vacant spots we have left with which to deal with people. If we are going to deal with it sensibly, we have to know the content in order to determine the areas we want to discuss with him. I am not trying to deal with it in isolation or away from the minister, I just want an opportunity to read it and then be able to discuss it rationally.

Mr. Williams: Could we table the motion until later in the meeting and get to the minister to see what he would be prepared to do in this matter?

Mr. Cooke: The motion simply asks that the chairman of the committee request the documents from the minister. That is all the motion is suggesting. There is no suggestion of any heavy-handedness at all; it is simply that the committee would like to have these documents from the minister.

We will read the documents and then we will set a time aside where can discuss the whole matter with the minister. There is no need to table the motion. We were simply asking the chairman to make that request. He could possibly report to us this afternoon.

Mr. Williams: I misinterpreted your motion. I thought the original motion was to demand the documents.

Mr. Cooke: No.

Mr. Williams: I withdraw that. That is why I suggested we ask rather than demand.

The point is that we could probably determine very quickly if the minister was able to come here tomorrow or the day after and bring these documents or make them available before he arrives. Let's consult with the minister and see what he would like to do in the way of co-operating with us before we formalize the matter. That is all I am asking.

Mr. Mackenzie: We are asking for a request to the minister today. We should know before the day is out whether or not we (inaudible)

Mr. Williams: Then, if necessary, put a formal motion, but let us give him the benefit of the doubt in the matter. I am sure we can contact him and see what he would prefer to do, if it is compatible with what the thinking of the committee is.

The Vice-Chairman: Is it agreeable that I, as acting chairman, request the clerk to ask the minister for a copy of this report, to leave it at that and see what happens?

Mr. Williams: And see if he is prepared to come to the

committee with the report, release it before he comes or whatever.

The Vice-Chairman: But we would like a copy of it right away.

Mr. Cooke: Could we try to get a report back on that this afternoon?

The Vice-Chairman: Yes.

Mr. Van Horne: Mr. Chairman, I got the impression from what I saw in one of the press stories that the minister would be reluctant to see this report released. Would the request from this committee be to have the report and nothing else? Or would it be to have him present himself and at least give us an idea of the overview of the report if in fact he felt he couldn't release the report itself?

The Vice-Chairman: I think, Mr. Van Horne, what has been discussed here is that the members feel they would like to have a copy of the report to have a look at it to see what is inside it and at that time to decide whether or not they would like to have the minister come before the committee. Mr. Ramsay has suggested that would be an excellent idea, that the minister should appear before the committee regarding the report.

We will leave it at that and instruct the clerk to contact the minister to see if we can possibly have that report by this afternoon or at the latest tomorrow. Thank you very much.

As I mentioned, we have the McDonnell Douglas Canada Limited people appearing before the committee this morning and I apologize for the delay gentlemen in getting this other matter looked after. I wonder if I could ask you to introduce yourselves and ask if you have an opening statement.

Mr. Gollihar: I am Charles Gollihar, Mr. Chairman, vice-president, fiscal, and treasurer of McDonnell Douglas Canada Limited. My compatriot is James Lyons, our director of personnel.

I guess the only comment we would have at this time is that prior to receiving the call from your clerk last week, we really were not familiar with the operations of the committee or its interest or scope. Mr. White was kind enough to send us a copy of the interim report. We reviewed that and I guess deduced from that you are certainly concerned about plants that close and about the separation conditions for employees who are laid off in closed plants. That is, the pension benefits, the attempt to find work for them and that sort of thing.

Despite some of the things that might have appeared in the media, we are not about to close the plant and we are prepared certainly, based on our interpretation, to discuss the features of our programs which provide benefits to employees at the time of layoff.

I guess that is all we have to say at the moment. We are here at your disposal.

The Vice-Chairman: If you don't have an opening statement then you are open for questions.

Questions from the committee members.

Mr. Martel: The recent announcement indicates that a substantial portion of your work force will be laid off. Some of us on the committee were of the understanding that some of this work was to be done in Canada. We might have a wrong interpretation. I guess we want to know why the layoff because it fits right into what we are looking at, the reasons for these decisions that are made which ultimately throw Ontario workers out of work.

I guess what struck me is that while we thought we were gaining a great deal with the federal contract or the particular type of plane that was going to be purchased, the ink isn't dry on the paper and we are seeing layoffs. One wonders what prompted that.

Mr. Gollihar: That is the question, what prompted the layoff?

Mr. Martel: Yes.

Mr. Gollihar: Mr. Chairman, I hope you will bear with me and my cold. It is a little difficult at times. In answer to that question, I think perhaps we should put in perspective what actually has happened during 1980 as far as the work force is concerned.

We began the year 1980 with 5,137 people. We ended the year with 5,129 people, a difference of eight people in our total employment. During that period we hired a number of people, a number of people resigned and a number of people were laid off. Through the end of the year, the total layoffs were 442. Obviously we hired enough people during the year so it came out about the same. There has been an additional layoff in the month of January, this past week, some 200 I believe.

10:30 a.m.

In answer to your question, the reason for layoffs is directly, solely dependent upon commercial airliner orders. The airlines in 1980, probably in the world, if you read the information from the International Air Transport Association, their publications indicated they had their worst year in history world wide, losing some \$2.5 billion. In the US some \$200 million, with a decrease in traffic and revenues of over five per cent. Their worst year in history. What happened is they simply became unable to assimilate financially more aircraft; that is where the traffic is concerned.

The result has been a reduction in aircraft orders. That instantly reflects in our situation in that when our parent company, which is our principal customer, our only customer for commercial airliner components that we build at Malton, when the

airline orders don't flow properly, it is instantly reflected as in any other industry in production needs.

During the year we had reductions in our production requirements. It has led us to the absolute necessity of reducing our inventory and adjusting our skills and that is the reason for the layoffs.

Mr. Cureatz: Supplementary on that, just following up. Part of Mr. Martel's question was, and this is certainly an area I would like clarification on, as he indicated, the ink had hardly dried on the paper when we were having layoffs.

Could you centre in, with regard to whatever arrangements were made with your corporation and I guess the federal government, on the so-called job opportunities or whatever benefits were offered to you by the federal government?

Mr. Gollihar: I guess I will have to make it very clear that we represent McDonnell Douglas Canada Limited, not McDonnell Douglas Corporation. We are one of the competitors for the work that is, we hope, to be placed in Canada very soon. We are as anxious as the other subcontractors.

It seems to us to have been delayed. We don't really know for what reason. We extended our bids from December 31 to March 31 at request. We are waiting for word, actually, of what is going to happen. We are not part of the primary conversations between Ottawa and the McDonnell Douglas Corporation. We are in the commercial business. We are asking for part of the F-18 work.

Mr. Cureatz: You are saying that these layoffs are independent of any arrangement that was made in regard to you?

Mr. Gollihar: Absolutely.

The Vice-Chairman: We have two other supplementaries from Mr. Williams and Mr. Van Horne. Mr. Williams.

Mr. Williams: I just want to understand. Once you do find you are successful in a bid on a particular commercial contract, what is the time frame as far as recall of employees is concerned, if I can use that term, from the time you might find you get a significant contract that is going to involve more work obviously, but also the need for further personnel? What is the time lag between acceptance of a contract and the need to recall?

I presume there is still quite a time spread, is there? Or am I wrong?

Mr. Gollihar: There is a lag. As far as the timing of subcontract awards, I think the best that we know is what was said in the Parliament of Ottawa on Monday night, at which time the Minister of State for Small Business commented in response to a similar question, that the subcontracts were under discussion between the company officials and officials in Ottawa and they hoped to announce the decision within a few weeks. We hope that is before March 31 in any case. Actually we have no control over that.

As to the hiring or rehiring or recalling of people, bear in mind that when we get a contract and we are not sure which or how much we would get of what we have bid on, we would probably begin with tooling people. The reduction we are making now is primarily in the assembly areas and in the fabrication areas.

The immediate need with the new contract likely would be to make tooling first. Following that we would go into initial production and following that into full-scale production. So not only will there be a lag, but a lag by skills. Typically when you come out of a program or go into a program you adjust your skills and of course we must do that. We really do not know the timing, we hope it is soon. The sooner the better.

Mr. Williams: Just one further question. Do you find that the skills you need are readily available domestically or do you have to advertise abroad? I know when there are layoffs they obviously go to other jurisdictions looking for the same type of work.

Is it movement between Quebec and Ontario, say? Or does this present a real problem? Do you find you lose your people that you may have to lay off on an indefinite period until these contracts come in and try to get them back in? Or do you have to search anew?

Mr. Gollihar: Speaking from our history, and perhaps I can ask Mr. Lyons to help me out in this one, when we recalled at the beginning of the introduction of the new Super 80 model into our plant, the DC-9 Super 80 which was a major revision of the DC-9--I hope you all fly DC-9s.

Mr. Williams: We try.

Mr. Gollihar: The major revision in our plant and major retooling efforts and so forth, and the amount of success in recall, I would ask Mr. Lyons to respond to; we had some difficulty.

Mr. Lyons: Yes, we actually found when we advanced with the new series aircraft, the DC-9, the series 80 model, there was a different type of work that was required and therefore it required specialized people who would be tool planners and that type of thing, more highly skilled. We did find that not only the people we had recalled or attempted to recall, some of those had sought and were successful in obtaining employment in other areas, but we found it difficult to get that type of people.

The effect on the recall was, again we were looking for specialized, skilled people and there is some lag between the initial stages of the tooling work and when assembly workers would be hired at a later date, once that initial work was done. In other words, the mix constantly changes in that sometimes the people who were the most recently laid off, that type of classification is not really the first type of classification required in the new program.

Mr. Williams: Where do you normally go for these skilled people if you cannot find them locally? Do you go down to the

southwestern states or northwestern states where the aircraft industry is so big?

Mr. Lyons: We have not sought to hire people in the United States. We sought to obtain the skills that were necessary, for instance for the DC-9 series 80 aircraft, we advertised extensively in Canada, throughout Canada, across Canada and the total people hired between, I believe, April 1979 and probably to very early in 1980, were somewhat over 3,000 people, but they were all Canadians. With the exception that we did, I believe, receive work permits to go overseas for I think it was a total of 24 people, but they were highly specialized types of people.

Mr. Gollihar: Maybe to add a little bit to that about the recall. As I remember, we exhausted our recall lists fairly early on in the tooling work on the Super 80 and really ran into severe skill shortages. There is no real solution to that, except to string out the work and that is actually what really happened.

Mr. Van Horne: Mr. Chairman, I now have two supplementaries in the light of the last answer and I will give the last one first.

If you have that kind of difficulty with the skilled work force and you say there is no real solution to it, is there in fact any attempt either by you or people like you in the industry to make this information known to people in our community colleges or apprenticeship training programs, our universities, et cetera?

If so, could you give us some idea of how this liaison happens and what your past experience has been in terms of having notified them of similar situations in the past? How long did it take before the market was full again or the work place accommodated by whatever you were able to arrange? That is the first question.

10:40 a.m.

The other matter I think has been asked about in earlier questions by some of my colleagues, but I will go at it from a slightly different angle and I want just a general response from you. You indicated this past year was probably the worst in a long time, if not in the history of the industry, and I think the auto industry and many other industries could say the same thing.

In connection with the prediction that you heard earlier on in the debate, that the auto industry may lose one out of every five workers over the next decade, is there any similar study of which you are aware of the aviation industry in North America or the western hemisphere that would reflect a similar type of prediction, or was this year a downer in isolation and are you looking, if that is the case, for an upswing in the industry different from the auto industry?

Mr. Gollihar: Mr. Chairman, if I may, I will answer the last question first and ask Mr. Lyons to answer the first one.

I guess we are always hopeful of an upswing. I think the

predictions are that the aerospace industry will again boom in the late 1980s. We think what is happening now is temporary. There is a real shakedown going on among the world's airlines, particularly in the US, with deregulation. I think the rising costs of financing aircraft is very instrumental in the problem.

It happens once in a while, but usually due to external factors, because the typical airline growth pattern in the last 15 years has been probably in excess of 10 per cent a year on the average. In 1976 we experienced a similar, even deeper decline. In fact at that time our employment went down to under 1,200 at Malton, although we have averaged 4,000, almost 4,200 through the 15 years we have been there.

However, the OPEC situation in 1976 knocked the airlines--it really hit them hard--and the result was it hit us hard as well. We dropped to the lowest level we have ever been, and we hope we never do that again.

Mr. Van Horne: Excuse me, the regulations you referred to as having an effect on--

Mr. Gollighar: Deregulation; the deregulation going on in the US. A lot of the airlines are going through a shakedown period of deregulation and it has caused many adjustments. For example, the feeder airlines seem to be getting more traffic, they are growing, and the trunk airlines are sort of shrinking. Of course you are aware there are mergers and failures and so on, which affect us directly. We really have no control over that.

In the latter part of the 1980s, everyone we know in the air industry is projecting another boom. Again, we hope we can cope with that when it comes.

I would ask Mr. Lyons to respond to the other part of your question about what we have done about skilled people, about skills and training, and talking with various colleges and with government agencies and that sort of thing. I think you will find we have done a lot.

Mr. Lyons: When we talk about skills we not only mean the journeyman apprenticeship type of skills, we mean aircraft skills which involve very highly skilled people. We have had occasion, for various purposes, to meet with a number of ministries in Ontario concerning these skills--the Ministry of Colleges and Universities, the Ministry of Education; we have talked with the manpower consultative services; we have talked to many of the community colleges. We have participated in programs with Seneca, with Sheridan--with I don't know how many of them--assisting in developing programs that were suitable to industrial training; although not necessarily what you would call the traditional apprenticeship programs, exclusive of that.

I think sometimes when we read about skilled workers and the lack of skills, it means not only the formal apprenticeship programs but the industrial skills that are necessary. We have met with the agencies, both in Ontario and the federal Ministries of

Trade and Commerce, Manpower and Immigration. We have met with several of them, and the universities.

We participate on committees along with the Machine Builders Association and other associations. We have a formal program of apprenticeship training with our own union in the plant. These efforts have been productive, in the industrial skills area particularly.

For instance, I believe it was from April in 1979 until sometime in 1980, we hired somewhat in excess of 3,000 people, and all of those people received--not all, 1,600 of them at least--received some training within our plant premises. This does not represent the only training programs we have in the plant premises, but of those people we hired we trained 1,600 of them in our own plant with respect to upgrading their skills, their blueprint reading and these other types of things.

Mr. Van Horne: Out of curiosity, Mr. Chairman, with your indulgence, the--

The Vice-Chairman: With Mr. Martel's indulgence.

Mr. Van Horne: Of the 3,000 hired, 1,600 of whom you trained, how many of them would have had some preliminary training, or background if you will, in a community college related to your discussions with that college? What I am trying to get at is how many of your employees in fact do come from institutions here in Ontario that are providing some kind of initial training for them?

Mr. Lyons: I do not know that I could give you a figure or a percentage, but I could hazard a guess at perhaps 10 per cent of those have had some community college, or industrial training, perhaps, in high schools.

As to those people we hired, we attempted to get people who had manual dexterity and some sort of training somewhere. However, the high standards of quality and the tolerances that we work to in the aircraft industry are quite different than in perhaps the auto or the appliance industry or that type of production. So that we did put them through a school--at least over 50 per cent of them--the culmination of which was to teach them how to work to the tolerances that are necessary in the aircraft industry.

Also, we find that a great many young people coming to us who have the required manual dexterity still lack skills in blueprint reading, which is practically a must even for a junior in our particular company. So the percentage that came from the industrial colleges, I would say, would not have been in excess of 10 per cent.

The Vice-Chairman: Thank you, Mr. Van Horne. Mr. Mackenzie, was yours a supplementary or just on the list?

Mr. Mackenzie: No, it's not.

Mr. Martel: Let me go back. I think you said--and if I

misunderstood you I apologize: did you say there was not much consultation by the parent company with the subsidiary with respect to the contracts that are about to be let?

Mr. Gollahar: That's a pretty good way to phrase it; not much consultation.

To put that in perspective, it was considered appropriate that we bid competitively with other companies--sealed bids so to speak--because I guess we felt--not we, really, our parent company--felt that the other subcontractors would feel that we had an advantage.

Mr. Martel: And should you not, seeing it is your company that is going to produce the plane? Is it not wholesome in an industry owned by a major corporation that its subsidiary in another country should have an advantage in terms of jobs and contracts, as opposed to one of your competitors?

I guess I am questioning corporate decision making, but it seems to me only logical--and maybe I'm being illogical, but it seems to me logical--that the subsidiary should in fact have the benefits of belonging to a multinational firm and getting those contracts.

Mr. Gollahar: We, as officers of McDonnell Douglas Canada Limited, do not disagree with you.

Mr. Martel: You agree with what I am saying.

I find it strange that the contract is going out to tender--let's put it that way--and everybody bids on it.

Mr. Gollahar: The other potential subcontractors probably do not find it peculiar. I think they probably would like to feel that they are competing equally.

10:50 a.m.

Mr. Martel: Maybe I'm wrong and I don't know much about business, but I would think the advantage should be given to the subsidiary.

I guess that is what bothers me in all of our deliberations. We have been dealing primarily with subsidiaries of multinationals and it seems to me that corporate decisions are made outside of Canada that really have a bearing on what occurs inside Canada, frequently to the detriment of Ontario workers. I guess I am being a bit parochial when I suggest it is time corporate heads in Canada be consulted.

We have had a number of firms, for example, which ultimately decided to close operations in Canada and the decision was made offshore, regardless of the detrimental effects in Ontario and to the workers in Ontario. That is certainly at the root, I think, of developments that lead up to the problems of whether you have severance pay, whether you have pension portability or a whole series of things that we are being forced to build into our

structure because of the necessity to protect workers.

Mr. Gollihar: I guess the only other comment I could make regarding the competition is that we feel we can be competitive with other Canadian aerospace firms, and we intend to be so.

The Vice-Chairman: Mr. Martel, could I ask a supplementary? You people are bidding for approximately \$200 million of the \$300 million worth of work?

Mr. Gollihar: Roughly \$200 million is the numbers we have in our bids. I have seen that in the newspapers and in the press releases, so I guess it's a good number.

The Vice-Chairman: What other companies would you be bidding against for that work?

Mr. Gollihar: The only answer I could make to that is what I have read in the newspapers. I do not have the clipping with me, but I have read what every aerospace company in Canada is bidding on, and what they are doing now; that is not of my own knowledge, that is just because I read it in the paper.

Mr. Martel: I guess what bothers me when I see a government involved in contracts of this size is that there are no built-in guarantees in an effort to spread work around. In other words, governments do not really have much say in the ultimate decision as to who is going to be employed. If we are trying to create jobs in certain areas, despite the fact of giving these substantial contracts governments are not tough enough, I guess, in demanding certain things to protect certain workers in certain communities where you have massive layoffs.

Southern Ontario has borne the brunt, I guess, of the huge number of plant shutdowns we are experiencing. Despite efforts by the province, whether it is with Chrysler or Ford, and despite this federal contract, what we see primarily is a retrenchment, people going somewhere else despite contracts. Maybe we are not demanding iron clad guarantees in the contracts that governments are putting out.

Mr. Gollihar: I guess the only comment to that is that as a company in Canada, and certainly combined with the public and vocal support of our bargaining groups, to the extent we can we are pressuring the people who make those decisions, and continue to do so, and hope they do it soon.

Mr. Martel: I find in this committee, and I think we have all experienced it, most of the people--the Canadian entrepreneur who is in business working in a subsidiary or a branch plant, let's call it that--do not have much say in the ultimate decisions which the parent company makes.

Mr. Gollihar: Competition should speak loudly.

Mr. Martel: I won't say it's a cop-out, but boy, if I were on a board I would want to know why the Canadian plant does

not get the goodies of a major contract with a major firm.

Do you have a guesstimate of how many jobs have been created? Is 2,500 the number of jobs that were supposedly going to be created as a result of this contract?

Mr. Gollihar: Again, speaking from the newspaper, I believe McDonnell Aircraft, in response to a very recent query, said that over the 16-year period 24,000 jobs was their estimate, coast to coast.

Mr. Martel: I am leading to the severance pay thing. Has McDonnell or any other major aircraft company--and they have been accused, I understand, of a boom-bust mentality similar to the mining industry; go like hell for a while and then there is a layoff and then go like hell for a while and then get another major layoff--

Mr. Gollihar: It is certainly a cyclical business.

Mr. Martel: Yes, and coming from northern Ontario, in the mining field I see this all the time.

How do we, as legislators, impress upon people that the cyclical nature is really detrimental? I realize that you fill contracts when they are there, but is there any way of levelling it out?

Is there any form of government action or anything that could be taken to level out so that rather than have a boom-bust mentality with a lot of people employed for a while and then a lot of people on unemployment for a while-- How do we level it out so that people know that "Next year I am still going to have a job"?

Mr. Gollihar: I don't think we have the answer, as I said earlier. The normal timing of aircraft programming is about once every seven years, if you consider that the original DC-9 was introduced and developed in about 1964 or 1965, the DC-10 was introduced about 1970 and this was a fairly tight settlement.

For example, we have introduced in our plant different models of the DC-9 about every three years. We are now up to, I guess, the fifth model of the DC-9. We have introduced two versions of the DC-10, each of which required, again, peak efforts, some larger than others but again cyclical. If they came frequently enough, you could smooth it. The trouble is they just do not come that often.

We do attempt within the production leads, and we try to get our customers to project those production leads, and then we bridge, if we possibly can, in our production manpower scheduling. To the utmost that we are able, we bridge across what might be a valley and cut off what might be a peak, not only from the standpoint of compassion--that is certainly in there--but because it is in our own interests to do so.

The people we have, who are trained and experienced, are far better than hiring new people off the street. When we let go of

the people who are trained and experienced, we do so with great regret because it hurts us as well as them; it hurts our competitive position. New people we bring in must be trained and that is costly. It is the least thing we want to do.

On the other hand, there are some gaps you cannot bridge and that is exactly what we are talking about now.

Mr. Martel: Right now, yes.

Would penalties such as severance pay, if I can call it that for a moment, because companies would have to pay it--I do not see it as a penalty, I see it as a stopgap merely, but even in today's society, with mass unemployment, severance pay is going to have some effect for a while depending on how much we insist that it be in the legislation; and I presume companies would consider them a penalty in terms of another cost to be borne--or portability of pensions have some sort of effect on how production is carried on so that you would not be forced to pay severance pay? Because the costs might cause people to plan somewhat more carefully, if I can use that term, to avoid the cyclical nature.

11 a.m.

Mr. Gollihar: I suppose the best answer to that is if all of our competitors also paid the same penalty, and the consumer could afford it, yes, then you would be equal.

I guess if we pay it and the people who make wings for other aircraft do not pay it, then that likely would affect our view.

Mr. Martel: I would see that, at least in Canada eventually, I think, if severance pay is introduced, and it is going to be, you will see that other jurisdictions in Canada are going to do the same thing. There may be a shying away of Ontario, I am not sure. The evidence we have heard from a number of experts in the field indicate that it is just a cost of doing business and so it will not frighten away investment.

It seems to me that with the complex kind of society we have today, we can ill afford to have people who have invested in homes--to most workers that represents the biggest investment in their life--simply walk away from those homes after they have paid into them for eight, 10, 12 years. In many of the companies we have seen, people with as much as 25 years were let go and some of them had not reached the age of 45 and did not yet have vesting in their pension yet.

I don't think that a society can afford to let that happen to the work force any longer. There are going to be penalties imposed, even though one might not want to do it, but one has no option but to protect workers and their investments and their families.

Mr. Gollihar: I don't want to get into much of a philosophical discussion with you, but one comment I might make is perhaps it would depend upon the ability of the economy to absorb people who move from one industry to another and from one plant to

another. If that continues to be a very good capability, then probably the situation would not be too bad.

I am being philosophical. I am not saying it does happen or does not happen. I know that when we went very low in 1976 and dropped so many people, so many of our old timers that we really wanted to keep, they found other jobs and we helped do that. In fact they found jobs so well that it was difficult getting many of those people back, and we would have liked to do that. I guess that is the only thing I can comment on.

Mr. Martel: Our problem today is that there aren't jobs. When you are into the type of economy we have now, and we have been carrying a million unemployed for the last couple of years, when you have a plant shutdown you can establish committees to help find new jobs but those new jobs just are not available. In many instances they are not available in the community where you need them so the worker walks away from a home.

The problem we are grappling with is how to protect workers, but I think the more fundamental problem is how to restructure our economy to avoid the sort of thing we are seeing in Ontario right now, which seems to be an exodus of a major number of branch plants who are retrenching either back to the States or Europe. They want to supply from a plant located in the States or in Europe to the Canadian market, to the detriment of the economy and to the Canadian worker.

Severance pay is a stopgap. But I guess it was suggested we should ask people who are in the business, would severance pay drive you out?

Mr. Gollihar: It is hard to answer because I don't know the extent of what you are talking about.

Mr. Martel: We suggested one week for every year of employment.

Mr. Gollihar: There are severance pay provisions in our bargaining unit agreement with the two locals. I might comment that when we forced in 1976 to drop so low, from the company's own bank account we put over \$1 million into severance payments to employees. The plan itself covers the supplemental unemployment benefit plan. It covers weekly payments, but our people who leave with seniority have a right to a severance payment if they wish.

Mr. Martel: What were the terms of the severance pay, can you recall?

Mr. Gollihar: I believe Jim, maybe, can answer that better than I can. I believe after a year, a person who leaves within a year can ask for severance pay--between a year and three years. In our case we paid out--

Mr. Lyons: We paid \$1.3 million plus, which came out of the company funds at that time, rather than from the fund which is set up on a regular basis for union-represented people. That was subsequently recovered some years later from contributions to that

fund. The separation funds come out of the company funds until such time as they are recovered from future contributions to the fund, which is done on the basis of eight cents an hour per hour worker.

Mr. Martel: Was the term of payment to an individual uniform, or was it based on the number of years of service?

Mr. Gollihar: Based on service.

Mr. Martel: So much per year then?

Mr. Gollihar: That is right.

The Vice-Chairman: Could you give us some idea of what that amount was, depending on the years of service?

Mr. Lyons: The number of years of service when we did pay out the severance pay--I do not have the figures with me--the severance that was applied for, they are on a supplemental unemployment benefit for a year before they can apply for that, or a combination of the SUB payment from the program that we had at the plant, and that payment depending on service, the employee receives a combined program and UIC; he receives 75 per cent of his hourly rate.

The Vice-Chairman: The severance pay comes into effect, they can apply for it--

Mr. Lyons: After 12 months of separation from the company. It is paid within 18 months. It is based on a credit union calculation basis. It varies on length of service and the condition of the fund at the time that it is paid out. We paid out severances during our very low period in 1977 and so on; some of them received \$1,500 and some, I believe, received as high as \$7,000. It would depend on their length of service, it would depend on the condition of the fund; and it is a varied formula.

Mr. Martel: It was almost the reverse of what we are thinking though, the way you were doing it--my thinking, at least; I don't want to put words in anyone else's mouth. My opinion of severance pay is that is what should be paid first and then go on unemployment insurance.

Yours is the reverse. You have SUB and after that has run out, you pay the severance.

Mr. Lyons: Not necessarily after it has run out--the person could still be eligible for SUB and still apply for severance.

The Vice-Chairman: Is it paid in a lump sum, this severance, the \$1,000 or \$1,500?

Mr. Lyons: Yes.

The Vice-Chairman: Is it the union contract that calls for this eight cents an hour?

Mr. Lyons: Yes.

The Vice-Chairman: And this, as you say, goes into a fund?

Mr. Lyons: A fund which is calculated on the basis of the number of employees eligible for SUB both within the plant and already on layoff. There is a formula that calculates all that; it reaches a certain point.

The Vice-Chairman: Is that fund administered by the company, the company and the union, or who administers that particular fund?

Mr. Lyons: We administer it; however, it is continuously, on a monthly basis, reported to the union on the basis of what remains in the fund and the status of the fund. As a matter of fact, the information is available to them at any time, but it is provided on a regular basis.

Mr. Gollihar: It is maintained as a trust.

The Vice-Chairman: As a trust fund. What would the amount be, approximately, right now that you would have in that fund?

Mr. Gollihar: Something around \$2.5 million to \$3 million. It is growing very rapidly now.

Mr. Turner: Does the company contribute towards that?

Mr. Lyons: It contributes the entire amount on the basis of eight cents per hour per employee per hour work.

Mr. Turner: So it is strictly a company plan?

Mr. Lyons: It is a company plan negotiated with the union.

Mr. Cooke: I just have a couple of questions. First of all, from your opening remarks I was kind of confused at exactly what the relationship between you and your parent company is. It seems you have to bid on contracts even though McDonnell Douglas was given the contract for the F-18.

11:10 a.m.

Mr. Gollihar: McDonnell Douglas Corporation was.

Mr. Cooke: So the parent company was given the contracts but that does not mean that the branch plant gets any of the benefits for that major \$4 billion contract?

Mr. Gollihar: Not automatically.

Mr. Cooke: How many contracts have you bid for?

Mr. Gollihar: Two.

Mr. Cooke: You have bid for two and what is the potential job creation of those two contracts?

Mr. Gollihar: I cannot tell you that until we get them.

Mr. Cooke: You must have some projections of manpower requirements for the two contracts or else you would not have been able to put a bid in.

Mr. Gollihar: That is correct. We plan to keep it as secure as we can until the contracts are awarded. They are still in the bidding stage.

Mr. Cooke: You have had 700 layoffs, including the layoffs last year and the 200 that have taken place this January. Are we talking about recovering those 700 jobs and creating more or are we talking about possibly saving some of those jobs and that is about it?

What I am looking at is: Are we going to have new jobs if you get those contracts or are we just going to be calling back some people who are on layoff?

Mr. Gollihar: The first thing we would do, in any event, with an additional contract of any type would be to look at the types and skills of people that we require in the initial stages and we would recall instantly people who have been laid off to retain recall rights. Those would be the first people we would attempt to get back.

Mr. Cooke: I understand that. I understand that the people on layoff have the first chance to get back to work. But what I am asking you is are we talking in total numbers of new jobs or just calling back people who are on unemployment?

Mr. Gollihar: I am not sure I understand what you are asking.

Mr. Cooke: You have about 700 people who are going to be on layoff. You have lost about 700 jobs in the last year and one month. If you get the two contracts that you have bid for from your parent company, are we talking about saving some of those 700 jobs or are we talking about more than 700 jobs, in other words, new jobs?

Mr. Gollihar: You are asking me again how many jobs there are in the bids?

Mr. Cooke: I do not want the specifics, I just want to know whether we are spending \$4 billion to save a few jobs or whether we are talking about spending \$4 billion to create jobs.

Mr. Gollihar: You are asking me something I am not qualified to answer.

Mr. Cooke: Our projections at this point are that we are talking about 375 jobs, whereas we are looking at, with more

layoffs taking place this year, up to 1,000 people being on layoff from that particular plant.

Mr. Gollihar: I read that in the newspaper too.

Mr. Cooke: In the absence of any statistics from the company to counter those I assume they are correct.

Mr. Gollihar: I should not confirm it at all since we are still in a competition.

Mr. Cooke: I know that when these contracts were announced there was a lot of buzzing around that we were talking about thousands of new jobs. In fact, one of the projections from the company was 24,000 new jobs with a spinoff in Canada, some of them being in Ontario. In fact there was one article in the Toronto Sun last April which indicated we were talking about 2,000 new jobs at your particular facility.

Who threw out those statistics? Where did they come from?

Mr. Gollihar: I am not sure, as a matter of fact. There were lots of estimates made. For example, each of the potential subcontractors in Canada were contacted by a team from McDonnell aircraft and many of them were invited to come to St. Louis and look at the actual work on the F-18 that was progressing; these are things I am aware of.

As one of the potential subcontractors we went as well and looked at what packages of work might be available. We looked at many of those packages. Estimates were made based on what might be available.

Since that time, either the capabilities or the ability of subcontractors in Canada to perform the work--their skills or whether they are loaded or whether they have open capacity and so forth--have altered many of the original thoughts and the packages that might or might not have come to Canada also have been changed as time went on. That competition took almost three years. Through that period the various packages were developed that might be most suitable for the contractors in Canada.

For example, at one time, we looked at doing the assembling part of the aircraft at Malton and later it was determined that even though that might create employment, the additional cost would be astronomical to put that particular kind of work at our plant so we backed off at that particular time and settled down to doing some tooling, subassembly and that sort of work.

All I can say is that during that period we looked at many different packages and there were many different estimates. How they got around, I really cannot answer.

Mr. Cooke: When you were attempting to get the contract, or your parent company was attempting to get the contract, from the federal government, the company certainly sold the United Auto Workers and sold politicians representing areas where your plants are located on the idea that they should push the federal

government into getting the F-18 and signing the contract with McDonnell Douglas because it meant more jobs for McDonnell Douglas and could save jobs.

Why would you try to sell that to both local politicians and to the UAW when, in fact, the relationship between the branch plant and the parent corporation is as if you did not even exist or that you were just a simple separate corporation from the parent corporation? Why was that tack used and in fact tends to mislead both the workers and the politicians and other community people who are concerned with creating jobs?

Mr. Gollihar: We were not the only Canadian subcontractor who pushed for the contract to be placed in Canada because the entire aerospace industry was anxious to see a new fighter bought and work placed in Canada. We were not unique in participating with other members of the Air Industries Association of Canada to the extent we could in encouraging the purchase of a new fighter and creation of jobs in Canada.

Mr. Mackenzie: Could I ask a supplementary on that? What then was the advantage, for example, in pushing for the McDonnell Douglas F-18? Why would we not have been as well off, if everybody is going to bid on one of the other planes, or the other plane, I guess; there are only really two in competition as I understand it? What is the advantage of being a subsidiary and pushing McDonnell Douglas in Canada?

Mr. Gollihar: There were initially six competitors. While the competition still included six, we bid to four of these. When they were reduced to two, we were bidding to those two. We not only bid on the F-18, we bid on the competitor who was also on the short list. We made trips to their plant and looked at the work they had and also submitted bids to them. It was not just to McDonnell.

Who ever won it, like any other Canadian aerospace potential subcontractor, we were anxious to get an opportunity to put work in our plant. We had capacity and we do now. Some of the other potential subcontractors, because they are now almost fully employed, are perhaps less anxious than they were initially.

Mr. Cooke: I would like to know what the advantages are now that the contract has been signed and we are going to be building eventually the F-18. I am talking in terms of Canada, Canadian workers and the future in the aerospace industry. As I understand it, after a number of years and the F-18 has been completed, the dies and any technological breakthroughs that are made while developing this plane in Canada go back to the United States. Do you know if that is correct?

Mr. Gollihar: I have no knowledge on that at all, if that is in the contract.

Mr. Cooke: Have you seen the contract?

Mr. Gollihar: No.

Mr. Cooke: You have not seen the contract?

Mr. Gollihar: I have not seen it. We are not privy to that.

Mr. Cooke: You are not privy to the contract.

Mr. Gollihar: We are not part of that Ottawa-McDonnell Douglas pipeline.

Mr. Cooke: It is absolutely amazing that the parent corporation would not share with the subsidiary, with the branch plant, the contract that they sign.

Mr. Gollihar: Our customer is Douglas Aircraft Company in Longbeach, California. We manufacture DC-9 wings and DC-10 wings and tail sections for Douglas Aircraft Company. We have no work with McDonnell Aircraft Company, which builds the fighter. We are hoping to get some.

Our customer is commercial Douglas Aircraft Company, California. That is where our real contact has been from the very beginning.

Mr. Mackenzie: I have a supplementary in the same area; when they talk about 2,500 jobs this might provide, which certainly I think is misleading in terms of what was obviously the worker perception in that area or that plant. But did 2,500 jobs come from you people or come from the people who were doing the negotiating in Ottawa?

11:20 a.m.

Mr. Gollihar: As I said, we made estimates of the particular work packages at which we were looking at the time. The work packages you are looking at now are somewhat different, in fact, very much so. I really cannot tell you--

Mr. Mackenzie: That 2,500 was widely reported. Was that your figure or the head office figure?

Mr. Gollihar: I really cannot tell you.

Mr. Cooke: The newspaper quote that I was looking at says, "McDonnell Douglas officials said yesterday that the Hornet contract will mean 2,000 new jobs at the 5,800 employee factory over the next 15 years."

Who those officials are, whether that means McDonnell Douglas Canada or whether that means your parent corporation, is not indicated in the newspaper article, but that was not some government official or some local politician; they were McDonnell Douglas officials who were issuing those statistics.

The article goes on to say, "It will take the company six months to a year to prepare for the production of major airframe components for Canada's new fighter." I assume that is where a large number of the jobs are going to be created.

It is very difficult to ask questions about the F-18 contract and the implications of the contract when it is obvious that the parent corporation is the only corporation that is privy to those contracts. It is the only one who understands them and can answer the questions, with the exception of our federal officials.

I wanted to ask some questions about offsets and some of the ridiculous parts of the offsets that I have heard about. For example, that when McDonnell Douglas executives from the United States visit Canada to work on the F-18, their hotel bills are part of the money that is counted in the offsets to be spent in Canada. Some of those types of things that one wonders how many jobs we are really talking about creating, and when we hear figures from 2,000 to 2,400 jobs being created, it sounds to me like we had a lot of hype and the real benefits for the F-18 are not going to come to Canada. The real benefits will go to the parent corporation, and again we are talking about \$4.4 billion benefiting a foreign-owned corporation and not the workers in this country.

Mr. Chairman: I apologize for being otherwise tied up.

Mr. Mackenzie: I do not want to go back on it, but I really wonder what the advantage is in this particular case of the branch-plant operation. Is it an "in" to use some leverage in terms of the negotiations with the federal government for the F-18 contract, or what? Because you people obviously do not have any say in the decisions; you do not have any say in whether or not you get any of the orders, although you can quote 2,000 jobs if you do get them. But you are not asked for your advice or you are not encouraged to make recommendations in terms of those contracts once the federal government has let them.

Mr. Gollihar: That is essentially correct.

Mr. Mackenzie: So you are totally out of it. You are the Canadian management of the firm but you are totally out of the decision-making processes.

Mr. Gollihar: The thing we are managing is the commercial--

Mr. Mackenzie: It is not separate at all. My colleague refers to it as potential hype, but we had 2,000 jobs somebody is talking about. I do not know who Bill Baker, Ottawa vice-president from McDonnell Douglas is, but he told the Star he stands by his prediction of 2,400 extra jobs across the country.

While I think they did a lousy job of negotiating in Ottawa, I see that Robert Hack, the director of the Aerospace Industries Directorate, says that he cannot understand, as we could not, where that 2,400 jobs comes from because that has got to be based on a multiplier of four. I have never seen a multiplier of four used yet; 2.5 is the normal multiplier which is used by most economists and most people looking into this.

So we have got this kind of information coming out, but we

are told here that they have to bid, even though they are one of the major branch plants they bid along with--who?--Canadair of Montreal, de Havilland of Toronto, Fleet Industries, Fort Erie, Enheat of Nova Scotia--anybody who is in the business--they are bidding in these contracts.

The fact that there are so many millions of dollars to be let for the F-18 fighter and the major branch plant, or one of the major branch plants of the company has no influence as to whether or not they have to bid on, what can or cannot be done there, and how many there are; they cannot tell us where the figures come from. I really wonder what we are up against in trying to deal with this. But the decisions-- Really, you bid on it. That is what you are told by the head office and they do the negotiating federally, and you are not really included in those negotiations.

Mr. Gollihar: That is correct.

Mr. Mackenzie: No inclusion whatsoever. It is going to make it very difficult for us to do any real economic planning in this province with that kind of an arm's-length situation that we have. I find it awfully difficult.

And the figures, that is the other thing. Unless my information is incorrect, we had a layoff of some 200 workers in early September, 300 in December, 200 in January and the rumours around the plant, at least, are that 300 more are likely to go in August. We are up to around 1,000 in more recent layoffs.

When my colleague asks, if you get the contracts you have bid on, how many jobs are there, you can't tell us. Somewhere I saw a figure of 1,100, which would just about take everybody back. I guess anybody's guess is as good. When our research people tried to take a serious look at it, we came up with the figure, which you also say you have seen in the paper, of 375. We are not sure if anywhere near all of those employees will come back.

Then we also have the ludicrous situation of the Premier of this province saying he will encourage your company to take laid-off auto workers when we don't even know if you are going to take half of those back that you have on layoff--unless of course there are some particular skills; I recognize that any company is going to go after skilled people.

Mr. Gollihar: Relative to recalling people and how many, just as pertinent as the numbers of people we recall is the eventual resolution of the commercial airline problem. In the event they feel they are recovering, and they begin placing orders again, that could be a much earlier situation as far as recall is concerned than the lag we would find in these particular types of military contracts.

We have no insight into that. I am not sure what is going to happen with the airlines; it is not for me to predict. But that could have a more immediate effect, especially on the types of skill that we have already laid off.

To give you some indication of how many, as you say, jobs

might be saved, is extremely difficult in the current circumstances. We are pending the competitive resolution of the F-18 subcontract that we are bidding on. We are subject to whatever changes may occur in our production requirements for commercial work even today, tomorrow or a month from now. If those change again, then we are again in a position of either increasing or decreasing.

Mr. Mackenzie: Essentially you are telling me that there are problems right now in terms of your normal work, which I gather is components for the big DC-10s and DC-9s?

Mr. Gollihar: DC-9s and DC-10s.

Mr. Mackenzie: That is down. If this market comes back a bit, that will take care of some of your people. The F-18 might be a bridge, it might be an addition if you get some of the contracts, but it is a situation that you really haven't got much input into at either end.

What about the new planes they are working on, the airbus or Boeing 757 and 767? Are you bidding on work on those?

Mr. Gollihar: No, we are not.

Mr. Mackenzie: No research then, obviously, or development, if you are not bidding on that kind of work. Do you have the right to bid on any of those jobs, or an in to bid on any of them?

Mr. Gollihar: We have the right.

Mr. Mackenzie: What is the problem, facilities or that you could not be competitive?

Mr. Gollihar: I am not sure that bidding on a competitor's work is, particularly, the thing to do.

Mr. Mackenzie: But they are doing it on yours, and you would have if some other fighter plane had been the successful--

Mr. Gollihar: I am speaking of a competitor in the commercial business.

Mr. Mackenzie: So you totally divorce the commercial from the military business?

Mr. Gollihar: Yes, we do. We are commercial now.

Mr. Mackenzie: When you have a cyclical industry to begin with, when you have a series of layoffs, even if they are not a major part of the employees, but a sizeable number already in place in that plant, and to have the headlines and the negotiations indicate that we have X numbers of jobs and McDonnell Douglas people saying there are so many new jobs there--

Maybe it is too much to ask, but don't you think that is going to be misread and misleading in terms of workers that are on

layoff in that plant and the general public's perception, as it was mine? When I saw some of those newspaper headlines before we got into it at all, I said, "Hallelujah, maybe it is one of the small turnarounds we have been looking for in the economy."

It is part of the kind of information package that is getting out there that is just terrible in this country, as well as what is going on where the decisions are made. We are being almost conned, it seems, almost every time there is a new set of negotiations, whether it is in the auto industry or anywhere else.

11:30 a.m.

I can't help but think of the 2,800 jobs that were absolutely assured with the new castings and engine plant in Windsor; now it is 700 and 500 more to come, and that is likely to be it. So all of a sudden, even when we get the facilities at a hell of a cost, we have a maximum of 2,200 and the 2,800 they originally talked about forgotten totally; and yet, for weeks, that was the big news.

Mr. Gollihar: I think we have to revert to the comments I made earlier about a cyclical industry. Despite that fact, we have, for the 15 years we have been there, maintained a work force in excess of 4,000 on average. We have peaked at 7,200, in one case, entirely on commercial work in the early days of the DC-9 and DC-10. We have been averaging, since then, something over 5,000. We have almost 5,000 in the plant now. I am not sure that any other aerospace company in Canada has that kind of record.

There is no reason for us to say it is not cyclical because it definitely is.

Mr. Mackenzie: Do you find it frustrating as Canadian management, or are you satisfied that you have so little input into where the orders go or what decisions are made in terms of where we are going to do the work when we get a major contract like this at so many billions of dollars?

Mr. Gollihar: I do not think my opinion is required.

Mr. Mackenzie: Is relevant.

Mr. Cooke: I wouldn't mind asking something about research and development. It is supplementary in that we are talking about the relationship between the corporation here in Canada and the corporation in the States. You seem to be a company that operates at arm's length from your parent corporation. What kind of research and development do you do in this country?

Mr. Gollihar: We are a production facility.

Mr. Cooke: So there is no research and development.

Mr. Gollihar: Our research and development is in the areas of technology in manufacturing, processes in manufacturing. We are moving very fast ahead in the techniques of computer-aided manufacturing. We are doing much research in that area. We are not

doing research perhaps in the sense you are inquiring about, that is, we are not designing aeroplanes, but we are bidding on some work now where we would be designing. We have an engineering staff that is capable.

Mr. Cooke: When you make a breakthrough in research and development, if you get some of these subcontracts, say you made a breakthrough, what happens to that research and development? Is it automatically shared with the parent corporation? Do you pay any research and development fees to the parent corporation?

Mr. Gollihar: It would depend on the type of subcontract we had with the parent for manufacturing some particular items. Normally the R and D developed on a particular contract is matter of contractual terms between the two parties.

Mr. Cooke: Are there research and development fees that you export back to the United States as they do in the auto industry?

Mr. Gollihar: I am not sure what you are asking now.

Mr. Cooke: The parent corporation, McDonnell Douglas, obviously does a lot of research and development. Is the branch plant responsible for covering some of the costs? In other words, out of some of the profits that you send to the United States, is some of that designated research and development?

Mr. Gollihar: I guess I would have to make two comments there. Number one, we do not send profits to the United States.

Mr. Cooke: What happens to them?

Mr. Gollihar: We reinvest them. All of our profits have been reinvested and then some. We will have invested, from the beginning of 1978 through 1981, \$24 million in new machinery and equipment in that plant alone. As to the R and D comment, the research and development done by the parent is available to us at no cost. We use it in our manufacturing.

Mr. Cooke: You say from 1978 to 1981 all the profits made at your corporation in Canada have been reinvested?

Mr. Gollihar: And then some.

Mr. Cooke: Those were obviously decisions that were made by the parent corporation?

Mr. Gollihar: Apparently.

Mr. Cooke: What about prior to 1978?

Mr. Gollihar: We were investing from the very beginning.

Mr. Cooke: I guess what I am getting at is, your corporation has never exported profits to your parent corporation?

Mr. Gollihar: No.

Mr. Mackenzie: I just have one final on my line of questioning. Was there a supplementary?

Mr. Martel: Yes. I just wanted to know if you sit on the board in the United States that makes all the decisions.

Mr. Gollihar: No, I am afraid not.

Mr. Martel: You are not on that august body?

Mr. Gollihar: No.

Mr. Cooke: You are not an international vice-president, you are not a vice-president of the corporation?

Mr. Gollihar: No, I am not.

Mr. Cooke: Do we have any executives on the Canadian corporation that also sit on the parent corporation board?

Mr. Gollihar: No.

Mr. Mackenzie: I want to be sure, but I think I have a bit of a picture anyhow. Your argument basically is that the current situation in that plant and the current layoff picture are due entirely to the slowdown in business in the commercial aircraft industry.

Mr. Gollihar: Exactly.

Mr. Mackenzie: And the F-18 contracts that you have bid on, on which you can't give us any kind of a number, on which you were not consulted about in the Ottawa negotiations in any way whatsoever, and which refer to these 2,000 or 2,500 jobs and however many might be available at your plant, is something that went on between the parent company and Mr. Gray and company in Ottawa when they were doing the negotiations?

Mr. Gollihar: There was a lot in that question. I am not sure what you are asking. Can we pin it down?

Mr. Mackenzie: Okay. You did not have any part of the negotiations in Ottawa over the F-18 fighter?

Mr. Gollihar: That is correct.

Mr. Mackenzie: And you have to bid on the contracts, so there is no way they could say what you would get or would not get and what it might mean in the way of jobs in your plant? That is projection from your head office and from Mr. Gray and the federal people.

Mr. Gollihar: If I understand you correctly, maybe I can rephrase it so that I will be sure I am answering what I think I am.

The negotiations for the prime contract were strictly between Ottawa and the people from McDonnell Douglas. The

subcontract work which we are bidding on is between us and our parent company, McDonnell Aircraft, which is the fighter manufacturer in St. Louis.

We are aware that all of the bids that were submitted to McDonnell Aircraft for subcontract work are being reviewed in Ottawa. We, like the other subcontractors, are awaiting that decision. That does not mean we are not trying to encourage them to place it with us; we certainly are doing so.

Mr. Mackenzie: I understand that, but it simply means that you have no say whatsoever on how they finally arrive at the decision or who they decide are going to get the orders. Any words we got about a potential increase in employment or the ability to offset some of the commercial work because of getting those F-18 contracts is entirely subject to chance.

Mr. Gollihar: I am not sure "chance" is the word, but it is certainly subject to economics.

Mr. Mackenzie: The point I make--and I am not after you people on this; it seems to me that our federal people are the lousiest negotiators on the face of this earth--is that if we can't tie down specific requirements for jobs in an area where you already have some problems any better than that, we are playing without either a bat or a ball in the ball game.

Mr. Turner: Could I have a supplementary? As part of that contract there was a certain percentage of Canadian content, I understand. Are you aware of that? Did you have any knowledge of it?

Mr. Gollihar: No. I am aware there is a certain commitment to placing work in Canada; I am not sure about a percentage.

Mr. Mackenzie: We are at the mercy of Mr. Gray there.

Mr. Turner: I guess what I am asking, as part of the McDonnell Douglas overall organization, would it not be advantageous to the parent company, in fact wouldn't it be logical, to place a certain amount of more responsibility in the Canadian division?

Mr. Gollihar: I hope so.

Mr. Turner: But you don't have any assurance of that, is that what you are telling me?

Mr. Gollihar: None at all.

Mr. Turner: Either from Ottawa or from St. Louis?

Mr. Gollihar: None at all.

Mr. Cooke: I just wondered, when you are doing DC work, do you bid on that?

Mr. Gollihar: I am sorry?

Mr. Cooke: Do you bid on any of the work you do for the DC-9 and DC-10 planes?

Mr. Gollihar: We have had the initial contracts on the DC-9 since 1965 and we are sole source, which means we negotiate contracts. We bid for the work on the DC-10 in 1968-69 and won it. Again we are sole source, so all changes or modifications are negotiated to that, since we have made a large investment in the tooling at the plant.

Mr. Cooke: Are there other contracts you have bid for with the parent corporation recently and lost out on that would have saved some of these jobs?

when Mr. Gollihar: Not recently. There have been occasions

Mr. Cooke: Are there other contracts you have bid for with the parent corporation recently and lost out on the bids that would have saved some of these jobs?

11:40 a.m.

Mr. Gollihar: Not recently. There have been occasions when they had work that they were placing outside and we bid and did not win. In other cases we have. We moved during 1980, eight new packages of work to the plant. You were speaking earlier of saving jobs. As it became apparent that we were going to be forced to reduce staff because of the commercial situation, we pressured our commercial customer, Douglas Aircraft Company. And during the year 1980 we moved eight separate jobs, some small, some large, and we continue to do that all the time as much as we can.

Mr. Cooke: There are four major contracts for the F-18, is that correct?

Mr. Gollihar: Four major contracts?

Mr. Cooke: Well, you have bid for two contracts, correct? How many contracts were there involved in the F-18? I know I have read it. I am just trying to remember off hand. I guess the question is, why did you only bid on two of the contracts?

Mr. Gollihar: I am just trying to remember the others. They fit our capabilities.

Mr. Cooke: Were there any others of the contracts that you could have, with some modifications-- Obviously there is going to be retooling and tooling up even if you get the two contracts. Why was it not feasible for you to bid for more of the contracts?

Mr. Gollihar: As an example I gave you earlier, we initially were bidding on a (inaudible) aircraft. But as it developed, the cost of moving that work would have been astronomical. So we dropped that completely. We had also looked at

that with competitors as well. We bid on the packages where we had the specific capabilities to perform.

Mr. Cooke: Are the Canadian corporate officials the sole decision makers on which contracts you bid for?

Mr. Gollihar: Yes, I think that's a good statement.

Mr. Cooke: So there was no consultation with the American parent plant that you were only going to bid on two. That was a decision made entirely by Canadian corporate officials.

Mr. Gollihar: We looked at all of them and made a decision based on our capabilities and the plant we had that those were the appropriate ones.

Mr. Mackenzie: Has your parent company ever--

Mr. Chairman: Excuse me, Mr. Mackenzie. It is very presumptuous of somebody who was an hour late to get here to remind those who have been here all through the meeting of the time, but I am compelled to do that. We have only about 45 minutes or so remaining and as you know the representatives from the UAW local are here. And presumptuous as it is, I am just going to remind people of the time.

Mr. Mackenzie, carry on. Mr. Taylor has a supplementary and then Mr. O'Neil.

Mr. Mackenzie: One very brief supplementary. In your firm, as one of the Canadian management people, are you aware of the parent company in any manner, ever restricting your ability to bid on outside contracts or other contracts, or instructing you on what you could or could not bid on?

Mr. Gollihar: Of course. There is a corporate requirement that proposals over a certain amount require corporate approval for obvious reasons. We do impact their earnings and financial position. In many cases, quite severely. For us to bid indiscriminately, without their knowledge, in large amounts, we are restricted.

Mr. Mackenzie: I wish they would return the favour a little bit when you get into some serious negotiations such as the F-18 fighter contract.

Mr. Gollihar: I hope we have not given the impression that we have given up on getting it.

Mr. Mackenzie: Oh, no. I am assuming that there is some hope. God help us if not.

Mr. G. Taylor: I would like to make a comment I guess. I, like Bob Mackenzie and many people in Canada, assume that when McDonnell Douglas got the contract through the federal government for the US, that it would be a fait accompli for those with one chain through to McDonnell Douglas here in Toronto. But obviously that is not what the federal fellows were sold. So we've been

conned like they have been conned I guess, as the general appearance would go.

But my question gets back to this, and it flows out of Bob Mackenzie's on where the profits go. You said that they were ploughed back into the Canadian operation. But since you are totally tied in to the McDonnell Douglas operation in the US and you only deal in the passenger field, commercial airline field, you secure certain contracts. But I would suggest to you, and the answer you can give me may contradict my supposition, if you bid low, you make very little profits at this end of your operation. Therefore you secure the contract.

But the plane is sold on a contractual basis out of the US, and your component parts are then marked up on the US operation. Therefore, they make the profits. Therefore to make the statements that "we put all our profits back into Canada," your profits are probably, in my mind, as you lay this to me, insignificant, or you are not ploughing much back into Canada and, indeed, it is all going into the parent operation which actually contracts to sell the plane.

Is that a fair statement or comment to make on your operation?

Mr. Gollihar: Mr. Chairman, the implication is that we make low profits on purpose. Let me correct that immediately. Our profits on a Canadian installation are completely consistent with those in the North American aircraft industry and have been from the beginning and continue to be.

Mr. G. Taylor: I will leave that answer. Without having all the facts I cannot contest it, but you are saying it is consistent, whatever "consistent" might be. Is that for total North American operations or consistent with other operators in Canada that do the same with a parent US operation?

Mr. Gollihar: I said the total North American industry, and by that I mean both Canadian and US companies that are in the aerospace business.

Mr. G. Taylor: I guess the corollary question to that is: Does the head office make a higher percentage of profit on the article it sells, being the completed aeroplane, than you do on the percentage of the components to that aeroplane?

Mr. Gollihar: Our profit ratios are almost identical.

Mr. O'Neil: Gentlemen, you mentioned that you were bidding on contracts that some of the other six firms had asked the federal government to consider their particular plane. When you go into some of these factories or other business establishments to look at some of the work that you are hoping to get some of the subcontracting work for, do they open up their books to you and tell you what they want and is there no fear that what you may learn from them may be put back to the States, to your parent company?

Mr. Gollihar: We cannot say that there is not some reluctance on their part, not knowing the relationship. On the other hand, we have found them quite willing to share the production type of information with us that was necessary for any subcontractor to intelligently bid on a project.

When you say open their books, certainly they did not open up their financial records to us. We got co-operation, and we expected it when we went into their plants and discussed how it was done and what work might be done and the specifications for that work.

Mr. O'Neil: Would you be picking up quite a bit of work from some of these other suppliers?

Mr. Gollihar: No, the ones I was referring to are those who were in the initial NFA competition, and of course it has been awarded to McDonnell Douglas. We were bidding to the other competitors as well as to McDonnell Douglas.

Mr. O'Neil: Mr. Chairman, I am having a hard time hearing.

Mr. Chairman: I cannot just break this caucus up because that is not really a caucus in the proper sense of the word, is it?

Mr. O'Neil: Also I wonder if I might ask you, since the union is here and the union will be appearing before the committee in a few minutes; we see these clips on TV where all the employees are really jubilant when they hear that the parent company has received the contract to build this new fighter aircraft, and then of course you see some of the things that happen over the weekend where people who expected to have jobs for the next number of years are interviewed when they find they are going to be laid off.

What sort of discussion or consultation do you have with the union? In other words, I would hope that you, as an employer, would be having ongoing discussions with the unions, first of all when the parent company got that contract for the fighter aircraft, to say, "Just hold on, there are still some ramifications, we still have to bid on it." Or discussions within the last month or two that the commercial airline business is going down and there may be layoffs.

What sort of a discussion have you had with the union in that regard?

Mr. Gollihar: Again I am not really sure what you are asking.

Mr. O'Neil: I am asking, have you had consultation with the union over the last month or two to say to them that there might be layoffs coming in that plant?

Mr. Gollihar: Of course. I think Mr. Lyons might comment on that specific one.

11:50 a.m.

Mr. Lyons: We have had a practice over a good many years, from time to time, of reviewing with our representatives of our employees, primarily the UAW, the condition of our marketing success and as it may reflect upon us. This has gone on for a great many years. We do this from time to time.

But specifically, in the last number of months, we shared with them last September a news release at that time where we were announcing a layoff of 200 people, and in that news release which we shared with them--and as a matter of fact which was posted on our bulletin boards throughout the plant--that we anticipated further layoffs due to the decline in the commercial business and that there were no specific figures at that time. We did show that to them, and as I say, with the employees via the bulletin board as far back as September.

Again, in November, we did issue another news release and coincident with issuing the release, we met with the union and other members of management, announced to them the content as the layoff situation had developed further. We met with them and told them at that time that in addition to the 200 approximately who were laid off in September, there would be another layoff on December 12 of approximately 250.

Mr. O'Neil: When did you tell them that?

Mr. Lyons: On November 26. We told them initially in September and that was posted on the bulletin boards and given to the union. On November 26 we gave them another news release which did say that there would be a further layoff in December. I do not believe it mentioned numbers in the news release, but we did tell them that from September 1980 until the second quarter in 1981, it could mean a total number of layoffs up to 1,000 people.

Mr. O'Neil: Prior to you putting out these news releases, you are consulting with and having meetings with union people, or is it just a case that you put out that press release and they know it then?

Mr. Lyons: They knew it as the same time as we put out the news release, although previous to that, from time to time, as I say, we review with them our marketing situation as it reflects our work; in other words, whether we are building speculative aircraft, whether there is a deadline because the aircraft has already been sold, and we have made a habit of doing that over a great many years.

Mr. O'Neil: Thank you, Mr. Chairman.

Mr. Chairman: Thanks, Mr. O'Neil.

Gentlemen, thank you very much for your time. I apologize again for being late, but your presence here has helped and we appreciate it, especially under the short notice.

Mr. Van Horne: I had asked a question earlier and I

would like to follow up with one final question, if I may, in relation to it.

Gentlemen, I am wondering--we were talking earlier about the apprenticeship program in the province as it meets the needs of your industry or does not. Have you ever estimated how your costs would be affected if the remaining 90 per cent of the employees you hire--you indicated roughly 10 per cent had some training--had had some training previous to coming in?

In other words, you run a fairly extensive training program and that has to be a significant cost to your business. Have you ever worked out the equation in reverse in the sense that you might save money if, in fact, the facilities in the province or colleges, et cetera, might be able to do that job for you?

Mr. Gollihar: The Air Industries Association, of which we are members--all of the aeroplane and space companies in Canada are members of that organization--have committees and one specifically on this subject. I also served on the Government-Industry Consultation Task Force which reviewed a number of the problems existing. Included in that was the problem of getting skilled people in the aircraft/aerospace industry.

Both the task force and the committee from the Air Industries Association have made representations to the educational side, to the government--both provincial, I understand--

Mr. Van Horne: Our education is provincial. When you say the government beyond that, do you mean federal, Immigration and Manpower?

Mr. Gollihar: Yes. I would comment that on the task force there was government, industry and union representation. The input from all three members of that group was almost identical. More people had to be encouraged to become, if you will skilled workers of one type or another as opposed to professionals. I think there was complete agreement that the educational system should perhaps lean more towards that--

Mr. Van Horne: We are not doing the job adequately now, putting it in other words.

Mr. Gollihar: Yes. At the moment we have two of our senior people, both directors of our company--by director I mean at management level--both of whom are now serving on educational groups, one in Toronto and one at McMaster University, hoping to get particular curriculum included. We are advising them of the type of skills we think are important. We hope it works. We hope we make a point. I believe that it is coming through. I think that more and more we find curricula being altered to include that.

There has been some resistance. Working with the task force, we found there has been some resistance for young people to go into what they consider to be nonprofessional jobs. I think that is perhaps being broken down, largely because of the pay scales of some of those truly skilled jobs.

Mr. Van Horne: Thank you very much. Thank you, Mr. Chairman.

Mr. Chairman: Thank you, Mr. Van Horne. Again, gentlemen, thank you for your time.

If I may invite the representatives from Local 1970 UAW forward to the table. When you take your seats, gentleman, would you be kind enough to introduce yourselves into the microphone for the record, and then begin your presentation? The brief is being distributed now.

Mr. Patrick: Mr. Chairman, my name is Bill Patrick. I am the president of the Local 1967. On my right is my vice-president, Stewart Robinson. On the left is Munir Khalid, our plant chairman; next to him is the plant chairman of the office union, Local 673; and to the extreme left Ed Cole, the president of 673.

Mr. Chairman: Thank you very much. If you are going to read it, just carry on.

Mr. Patrick: Yes, I have here a brief statement. You will find there are some actual statements of fact and some opinions of the union. I would just like to read it to the members of the committee.

As leaders of Local 1967, UAW, we would like to express our concern to the Ontario government about the deplorable situation we are faced with regarding layoffs at McDonnell Douglas. To date, we have approximately 700 employees laid off. Two hundred were let go on September 12, 1980; with a further 300 on December 12, 1980; and 200 on January 16, 1981. We were told by the company that another 300 would be let go from now to August of this year.

The company's statement regarding these mass layoffs is that there is a decline in the commercial airline sales--DC-9s and DC-10s--and that this has given no alternative but to lay off their employees.

The union is well aware that there is a decline in the sales of commercial aircraft for McDonnell Douglas and have known this for the past two years. The employees who are laid off up to now have been those hired within the past year to 15 months. Most of these employees were told by the McDonnell Douglas employment office that the future looked good for at least eight to 10 years because of the new contract for the F-18.

12 noon

The company's intention in making that statement at that time was probably true and sincere, but we feel there has been a rapid change since that time.

Let us have a look at what has taken place since February 8, 1979. On that date, Mr. George Graff, president of the McDonnell Douglas Corporation's division in St. Louis, met with our union in Malton and asked for support in obtaining the contract for the F-18. Mr. Robert White, our UAW director for Canada, asked Mr.

Graff whether, if the union did support the company and go to Ottawa to urge the government to purchase the F-18, it would mean jobs and security for our members at the Malton facility. Mr. Graff's response to Mr. White was that if McDonnell Douglas was successful in their bid the contract would create approximately 8,000 direct jobs in Canada and about one third of that would be at Malton, approximately 2,500 new jobs.

The union did go to Ottawa to talk to the federal government about our concern for the jobs of our members. This was in March 1979. The Liberal government's defence minister at that time was Mr. Barnett Danson. He stated that McDonnell Douglas would be given great consideration for the contract. The two final competitors were McDonnell Douglas and General Dynamics at that time.

While waiting for the decision from the government, the election of May 1979 came up and we had a new minority Conservative government elected. The decision was therefore tabled for a few months. We are told now by Brampton and Georgetown member of Parliament John McDermid that the Conservative government had worked out a good contract and that McDonnell Douglas would have been awarded the contract with a guarantee of jobs going to the Malton facility.

That announcement would have taken place exactly the day after the Clark government was brought down in December 1979. The result, another delay.

When the Liberals were elected as the government in February 1980, we were informed a decision would be released soon. In April 1980 the decision was made. McDonnell Douglas had been awarded the contract. Our members were ecstatic and overjoyed. The future looked good; job security for all.

In August 1980, our union opened negotiations with the company for a new collective agreement. At the opening meeting we were told that the future of the company did not look good and we might be faced with layoffs because of declining commercial sales. The union thought that this was a deliberate ploy on the part of the company to soften our demands for negotiations.

As we have stated at the beginning of this report, the layoffs have not been avoided. When the first of the layoffs took place in September 1980, the union sent a delegation to Ottawa and protested to Mr. Herb Gray about this deplorable situation. Mr. Gray stated that his department would do everything in its power to intervene and stop any more layoffs.

We went again in December, again with no success. It is our opinion that there is dissension in the Liberal caucus as to where the F-18 contracts should be distributed in Canada, but with 136 members and 77 MPs in the province of Quebec a major factor, our Ontario MPs are having a difficult time trying to allocate work to Malton.

As a union, we have no objections to sharing the wealth of this work throughout Canada to create gainful employment for

Canadians in general, but we cannot sit back and see our members laid off in order to create work in other provinces of Canada. We know a member of Parliament has a responsibility to his or her constituents and must try to get industrial benefits for his or her riding, but we do not believe that robbing other ridings of gainful employment, as is the case here, is fair and just.

We therefore ask that the Ontario government insist that the federal government halt these layoffs immediately and release the work packages of the F-18 to Malton in order that employees who have been laid off may be recalled and gainfully employed as they justly deserve. We believe that the government of Ontario has the responsibility to see that the province is treated fairly regarding this matter.

Mr. Chairman: Are there any other comments from your colleagues?

Mr. Patrick: I think our plant chairman would like to have a few contractual remarks.

Mr. Chairman: Then there will be questions from the committee.

Mr. Khalid: Mr. Chairman, it was very sad, this morning, to sit down and listen to company statements. Whenever they have been asked by us they said they did not know anything; that is the response, all the time, to the union. Any time we have asked this company to let us know what is going on, what picture is on this, we have been told they do not know anything.

They made a statement this morning, regarding the parent company, that they have nothing to do with the McDonnell Douglas Corporation. I have been involved with the last two negotiations. We go under the master agreement and we have to wait for six months, eight months. They come back to us and tell us that they are not going to make us any offer, they are not going to resolve anything in the negotiations until the parent company in the United States completes negotiations.

They are laying off at McDonnell Douglas in Canada, and at the same time in Long Beach, the parent company, with which we are jointly making DC-9 and DC-10 wings, have no layoffs and are working seven days a week.

The question was asked this morning regarding the training program, and that is another lie from the management. They say they have never brought anybody from outside the country, that they are training their own people. In 1979, they brought 24 people from England; we were told they could not find skilled people. We asked the company: "Why don't you train our own people? We have lots of young people, over 2,000 with good educations, who are willing to learn the trade." We were told "No, we need them right now."

Early in 1969, when the union asked the company to train their own people, they trained only three. Now the population is over 5,000. So far they have put 13 people in apprenticeship

programs and the union has been asking the company to put more in all the time. We have been told, "Yes," but the next thing we know it has been cancelled.

This company has laid off many people for the last few months, about 700, and at this time in the plant, the people who are still working have been doing the jobs of the laid-off people. Every man is dealing with two or three different classifications, which they are not supposed to be doing. The union has been voicing its disagreement every day.

On the F-18 program, this morning they were asked how many jobs the F-18 program is going to create for the Canadian firm at Malton and they said they don't know. They haven't been reading the paper.

We met with Mr. Gray yesterday in Ottawa and we asked the same question. We were told that 375 jobs would result if they were successful in the two bids on the contract which McDonnell Douglas at Malton has bid on. We will get two packages and there will be 375 jobs from 1980 till 1993. There are only 375 jobs right away, but they have laid off 700 and they are saying there are going to be more layoffs, another 300 this year.

We were told by the corporation, if we get this contract there will be 2,500 jobs at Malton. I am saying to you, Mr. Chairman, the McDonnell Douglas Corporation have conned the federal government, the provincial and federal politicians, the workers in this plant and the union. We went to Ottawa two years ago begging them to give us the work because we needed to have job security. But to get the contract, we would have to bid on the contract, and that is a shame. Thank you.

Mr. O'Neil: When you were speaking with Mr. Gray, yesterday?

Mr. Khalid: Yes, in the afternoon, about 4:30.

Mr. O'Neil: Did you put that question to him that they had promised so many jobs and now he was telling you that they were giving you only 375?

Mr. Patrick: Yes, we did.

Mr. O'Neil: What was the answer he gave you?

Mr. Patrick: His department was going to investigate that. We get that quite regularly actually.

Mr. Khalid: Every time we meet Mr. Gray, he tells us, and he has been telling everybody: "I am going to meet with the company. I will meet with labour. I will get back to you."

Mr. Turner: Does he?

Mr. Patrick: No.

Mr. Khalid: We do not know.

Mr. Turner: But does he get back to you?

Mr. Khalid: No, never.

Mr. O'Neil: He did not show up at your meeting yesterday?

Mr. Patrick: No. We asked to meet with him when we were up there and he was at meetings, tied up all day, so through other sources we got help to get a meeting with him. We said that we won't bring up laid-off members next time, we will bring up their families and their wives to talk to him. He saw us at 4:30 yesterday.

12:10 p.m.

Mr. O'Neil: How long did he meet with you for yesterday?

Mr. Patrick: How long did he meet with us in time? About half an hour yesterday.

Mr. O'Neil: Did he give you any commitments yesterday except that he would be looking into it? What else was discussed with him?

Mr. Patrick: He stated that he has future plans for McDonnell Douglas which he cannot reveal at this time, which would help the industrial benefits, jobs and what have you.

Mr. O'Neil: So was he guaranteeing you more than 375 jobs? Did he tell you that was the total number of jobs that would be created there in the next 10 years or whatever the date was that you have mentioned?

Mr. Patrick: No, he did not state any figures at all.

Mr. O'Neil: Where did we get this figure from that was just mentioned a minute ago of 375?

Mr. Khalid: One of the aides who was working along with Mr. Gray and who is an expert in the aerospace business is the one who has been doing all the research, and we asked him directly how many jobs, was it true there were going to be 375 jobs, and he said yes.

Mr. O'Neil: It wasn't Mr. Gray who told you that? You said it was Mr. Gray.

Mr. Patrick: That was Mr. Paul Church.

Mr. O'Neil: But Mr. Gray was at that meeting when he said 375?

Mr. Khalid: Yes.

Mr. O'Neil: And Mr. Gray said that he would be looking into that, to let you know just how many jobs there would be created, just to clarify the record?

Mr. Patrick: No, Mr. Church stated whoever is successful in the bid, the two packages that McDonnell Douglas have bid for, that if the company is successful it would probably create 375 jobs over a 16-year period.

Mr. O'Neil: And those are all the jobs it would create?

Mr. Patrick: Yes.

Mr. Robertson: There was one other question that was put to Mr. Gray--what he was discussing there, the new plans for McDonnell Douglas, if the Dash 8 wing from de Havilland was part of it, and Mr. Gray's comment was, "You are reading my mind."

Mr. O'Neil: In other words, he was hoping that if they got that contract it would open up quite a few more jobs at that site?

Mr. Robertson: He did not actually say that.

Mr. Martel: Could I ask a supplementary because I cannot get it clear in my own mind? Are we talking about calling back the 1,000 people who have been laid off, plus an additional 375 jobs, or are we talking about 375 jobs?

Mr. Patrick: We do not know. All we are looking for is for our people to be called back to where they justly deserve.

The majority of these 1,000 people we have spoken to are willing to sign affidavits that they were told this across the employment counter, that they were guaranteed the future looked bright for McDonnell Douglas, there was at least eight to 10 years work.

There is nothing in writing, but Mr. Gray's answer to that was: "Would this not be under the Ontario government; you work under the Legislature? Would they not be able to intervene there and if these people have been told this, would there not be a penalty to be laid on the company for this?" As I say, this is what we get normally when we go up there and--

Mr. Martel: Then in fact what we might have, if we are lucky, out of this little bonanza we have given McDonnell Douglas, is we might get 375 jobs back if they win the two contracts back.

If they do not win the two contracts, then in fact for the 1,000 who are going to be laid off--

Mr. Patrick: It looks that way. We are also told, may I add, that the 375 jobs it would create if we are successful in our bid for the Dash 8 at de Havilland, it would possibly create another 300 new jobs. It could reach 1,000 if we keep getting other little jobs.

Mr. Martel: You are doing well.

Interjections.

Mr. O'Neil: The comment was made by the company people this morning that these layoffs are due to the commercial market at the present time and the airline companies not buying new planes because of the high finance charges. Do you agree with that comment and with the comments that they have consulted with you on that particular matter?

Mr. Patrick: They have consulted with us, we will give them that. They have told us there would be layoffs. But we are very puzzled in the fact that a multinational corporation, hiring employees within one year and laying them off after one year, stating when they knew two years ago that the commercial aircraft market was going downhill the same as we did. We knew this, and yet these people were hired within the last year and they turn around and tell us after one year-- Surely they must plan in five-year terms, not one-year terms.

Mr. O'Neil: When you

Mr. O'Neil: I mentioned watching this thing on TV when everyone thought their jobs were secure back when this announcement was made several months ago. Of course, now, you've had the layoffs that you had in September and December, and there are possibly upcoming layoffs. How do you acquaint your members with that?

In other words, have you told your people that there are going to be layoffs in September, in December, and in January or February, or right now that there will be further layoffs?

Mr. Patrick: No. In fact we have a way of working with our company and it's sort of a fantastic way. When we are drawn upstairs to the meeting room to talk to the company about the layoff situation and what our views are on it, when we come back down on the floor the members already know, because it is put up on the notice boards.

This is the way it does happen. The same day we meet with the company we try to work on them to intervene, we try to work out a solution on the layoffs, but when we get down to the floor the members know.

Mr. O'Neil: They have already made the decision and they have not consulted, as far as you are concerned, soon enough in advance to see if there is anything that could possibly be done to avert those layoffs or do some planning to--

Mr. Patrick: No, I'm sorry to say we don't have any jurisdiction over that.

Mr. O'Neil: Also in your comment about the Long Beach plant, I wonder if you could expand on that. In other words, there has been a drop in the commercial market, so there are layoffs at your plant because wings are not needed. But there have been no layoffs whatsoever, and you are sure of this, at the Long Beach plant?

Mr. Khalid: No, there are no layoffs. They have been

working seven days a week.

Mr. O'Neil: But you are sure that there have been no employee layoffs whatsoever at the Long Beach plant?

Mr. Khalid: No, that's correct.

Mr. Patrick: Excuse me, I would just like to add to that too which I have missed in my brief, Mr. Chairman, if you don't mind.

We have been told by our members, but we have not checked it out and maybe the company officials could answer you, but right now in our Malton facility, our company is subcontracting work out of the plant which our members could be doing. And we would like to try and get that answered.

Mr. Turner: What kind of work?

Mr. Patrick: Some work that is normally done by our people in the company.

Mr. Robertson: Machining small components that we could be doing.

Mr. Turner: You do have the capabilities there?

Mr. Patrick: Oh, certainly.

Mr. Turner: And the people.

Mr. Patrick: There's 700 to prove that.

Mr. Mackenzie: (Inaudible) back alley operations to do it.

Mr. Mancini: What are they doing at the Long Beach plant, the same operation?

Interjection: Unfortunately we can't ask the company officials, they took off.

Mr. Khalid: The same operation; they are building the DC-9 and DC-10. We build only the wings and the tail section and they complete the rest of the aircraft.

Mr. Mancini: Would you repeat that? I'm sorry, I didn't hear it.

Mr. Khalid: DC-9 and DC-10. We just build the wings for the DC-9 and DC-10, the back section of the DC-9, the stub fuselage we call it. We ship them to Long Beach and they complete the rest of the aircraft.

Mr. Mancini: If they were busy, why would you not be busy?

Mr. Khalid: That's what we want to know. They are laying off here, but they are not laying off there.

Mr. Cowgill: Mr. Chairman, if I may intervene I could answer that. They are way behind schedule down at Long Beach and they have a backlog of wings which we produce. So that is probably part of the answer to your question.

Mr. Mancini: So the capacity that is being used at Long Beach may not last for a period of time and it may only be because of the backlog. They may be in your position in six months or a year from now. Is that basically correct?

Mr. Cowgill: The company did undertake some work which they were given credit for under the offset package which was to get Long Beach and Tulsa out of a problem when they were behind last year. That was leading edges on the DC-9, which they brought up here, and the Canadian government allowed them to claim this as part of the offset package.

Mr. Mancini: May I have one more supplementary?

Mr. Chairman: Yes, just a final supplementary and then we have three members on the list, Martel, Mackenzie and Van Horne.

Mr. Mancini: Just to get it clear in my mind, the Long Beach plant is behind in their production and therefore they are working, as the gentleman said, seven days a week. And they have an extensive amount of equipment that you have already sent them. So does that mean when they get caught up in their work, the Long Beach plant may be in the same position that you are in?

Mr. Cowgill: Well, that's a question I cannot really answer because we don't know how long it will take them to get caught up. This could be an ongoing thing as far as we are concerned.

Mr. Mancini: But they only have so many wings.

Mr. Cole: Well, they have so many wings--it seems to me that we are defending the company's position, but in regard to the number of wings that they have built up as a backlog--

Mr. Mancini: Don't do anything you don't want to do.

12:20 p.m.

Mr. Cole: Well, I am not necessarily saying that, but as we feared from the office and technical end of the union--and we are in support here of our brothers and sisters, although our office workers have not been hit anyway near the same as what our sister local here has. We do know it will have an effect further on down the road.

In respect to what you are saying, they have a backlog of wings at the present time, in here, stocked up here at Malton. They have run into some difficulties down at Long Beach, which is the parent company where the fuselage is made, and that is the

reason I suppose that there are probably layoffs coming. They are not selling the DC-10 and that you know through the media.

As far as we are concerned, it has got a heck of a bad reputation and people are switching over to Boeings and things like this. I think myself that this is probably the cause of the layoffs at the present time.

Mr. Martel: When the gentleman came from St. Louis in July, did he indicate at all to you or to Mr. White that in fact once the contract was garnered they would then be fielding it out to other corporations to bid on it?

Mr. Patrick: No.

Mr. Martel: There is no hint at that at all?

Mr. Patrick: None at all.

Mr. Martel: You would not be the recipients of the generosity of the federal government.

Mr. Patrick: Nothing was mentioned at that meeting at all.

Mr. Martel: Is it usual in this industry that once a contract is obtained that everybody else bids and that the parent company in the States, whether it be McDonnell Douglas or another aircraft industry, do they do that sort of thing? Are they always--

It seems to me they are not protecting their backside, or the employees that work for you, if I can be so blunt, and they are simply playing the game of, "If we can get somebody to produce it cheaper then, in the ultimate or the final analysis, there are more profits for the parent corporation."

Mr. Patrick: If I can answer you partly on that. When we got the contract for the DC-9 wing and then in the early 1970s, as Mr. Gollihar stated, we got successful in getting the wings for the DC-10, I don't believe we were competitive in bidding with other companies. We got it straight from the corporation.

Mr. Martel: Maybe you can't answer this and it might be an unfair question, but what would be the benefit then of a corporation to do what they are doing now, to say, "Look our subsidiary doesn't get first kick at the can; they can just jump in the ball game and bid against our competitors"?

That doesn't seem to me the way that business is done usually--and maybe I am wrong, not being a businessman, but it doesn't seem to me the way that business functions.

Mr. Patrick: Well, on that, we are of the same opinion as yourself. We cannot understand. We think it is absolutely ludicrous to come this way, especially now with 1,000 people laid off. But according to Mr. Gray's department, they are the federal

government and they want to share the wealth of this \$4 billion contract to Canadians in general.

We have stated our position. We do not mind sharing the wealth. We do not mind every Canadian to be gainfully employed through this from the east coast to the west coast, but why the hell rob us to do that? Why lay off 1,000 of our members when there is no need?

We were told by Mr. Church, and I am sure the Ontario legislative committee could check this out, that they have the bids sitting there and they know, McDonnell Douglas, who are the successful bidders. They have told us this. McDonnell Douglas have told the federal government that the packages are now on and they know who the successful bidders are. Yet they are standing idly by and letting 1,000 people go out.

We talked this morning--I listened very intently to this committee and we are talking about human hardship and you can see human hardship there, with these people going out before Christmas, especially after being promised years of work down there. It is deplorable.

Mr. Chairman: Supplementary, Mr. Mancini?

Mr. Mancini: Yes, I just want to clear up a couple of things in my own mind.

It was stated a couple of minutes ago that part of the problem is due to the bad publicity that has been received concerning the air crashes that the DC-10 has been involved in and, therefore, that may have caused some people to order other kinds of aircraft.

Mr. Patrick: I believe that was the fellow over here who stated this, which we will go along with. We believe that there was a hell of a bad publicity against that aircraft, the DC-10.

We have spoken to members of the pilots' association who state that is one of the best aircraft flying today, but because of the disaster--perhaps, this is again an opinion--I believe down in the States there has been politics through different sources and that is why it is hard to fight that. I think Boeing has a lot of people in there, in the government; that is our opinion anyway, that is the way we feel.

Mr. Robertson: But you still have to give (inaudible) the \$4 billion that is awarded the F-18--this is the most important thing here; the taxpayers of this country paid \$4 billion--equals 1,000 layoffs at Douglas Aircraft.

Mr. Mancini: What your president said is that a lot of the \$4 billion is going to go to benefit other parts of the country, I guess, and you consider that to be unfair because you have had severe layoffs.

Mr. Patrick: I consider it fair, as I state, but I consider it unfair when they are robbing us to do so. You have

1,000 men and women in that plant who have been trained--and the company stated it this morning; they have trained over 1,600 people in that plant on the aircraft. These people are skilled in their profession and know what they are doing and yet they are sending them out--and they are going to open up new plants in Quebec, new plants our west. What are they going to do up there? Train them or get our people and ship them out west and ship them to Quebec?

Mr. Mancini: That is a very serious problem, because I remember very distinctly that the Quebec Minister of Finance, Jacques Parizeau, after the contract were let and the \$4 million deal made a big splash in the papers, that he did an economic summary of the matter and really hammered the federal government.

I assume other provinces may have done the same thing, I do not recall. But I do remember Jacques Parizeau's statements and his submission that he gave to the media. And, of course, he called Ontario the greedy province again and all those things that we have been called for the last several years because of different things that are happening in the country.

Certainly, it does make more sense, if there are skilled workers at one plant who have been laid off, that if at all possible they can be called back.

Mr. Cooke: That is what the federal contract should have called for. You should protect the jobs that are already in existence before you start talking about shipping jobs to other areas of the province.

Mr. Mancini: I can also see the difficulty the federal government is in because they have to deal with these other nine provinces, and it is not that easy to deal with a Jacques Parizeau or Peter Lougheed or anybody else; you people know that, that is not a secret.

Mr. Robertson: But I think it is still the responsibility of the Ontario government to get into Ottawa and kick up hell about this situation of 700 laid off while they are building a plant in Quebec. There is something wrong, you know. It just does not add up at all.

Mr. Cole: In relation to that also, I am just think about when we were up there too. The Quebec government made sure that they got their first share of this particular plane. There is about \$400 million I think has been allocated to Quebec so that whenever the contract was given out to the corporate office, it made sure that a lot of that contract was allocated to Quebec. But there does not seem to be anything concrete coming up here to Ontario.

This is where we are concerned, because even though we may be a little bit higher--and I have heard we could be one or two per cent higher than Vought Aircraft, down in Texas--in my opinion anyhow, the federal government should award the contract to McDonnell Douglas here in Canada rather than letting it go out of

the country, even though it is a little bit higher than somewhere else.

Mr. Martel: It might be a little bit higher than somewhere else, but when you have the people unemployed here, you are more than making up for it in what you are going to be paying in benefits to people to be unemployed and certainly that should be considered.

I just want to ask something about Long Beach. Someone indicated there are no layoffs there. We are into world product mandating here in Ontario and I understand what world product mandating means. Are there layoffs in the other plants in the United States?

12:30 p.m.

Mr. Patrick: No. At McDonnell Douglas in St. Louis, we understand there is approximately 33,000 employed there and they have been gainfully employed for the past few years with no layoffs.

Mr. Martel: So our world product mandating is not working in Ontario.

I find the whole thing pretty strange that we are into a position here where a multinational is giving contracts. The parent company decides everything; the Canadian operation has virtually no say in what the hell is going on; and that a company would not get first right of call on any contract to its own firm in a host country, but it just seems to be playing a game of--I am not even sure what their game is.

I disagree with my friend who just spoke. I understand the difficulty involved if one were locating new plants. Everybody is grabbing for new plants, but we are not grabbing. We are just trying to protect what is already here.

Mr. Mancini: All I said, Ellie, was that I had read in the newspaper where Jacques Parizeau--

Mr. Martel: Oh, I listen to Mr. Parizeau. I do not blame him for trying to make a grab. That is the name of the game, to grab a chunk of the action.

Mr. Mancini: That is the reality that the federal government has to deal with. It is not wrong.

Mr. Martel: But what is not acceptable is that--

Mr. Mancini: I do not like Peter Lougheed's pricing policy on oil, but we have to deal with the guy.

Mr. Martel: Sure, but what I am saying is we are dealing with apples and oranges. We are talking here where the plant is already in place and the staff is already in place, and if there have to be new operations, so be it. There are new operations perhaps created somewhere else, but surely there should be

contracts for those people who are already in place, rather than laying them off and dumping them on the scrap heap.

Mr. Robertson: Mr. Chairman, could I ask a question of you? Is the provincial government doing anything towards going to Ottawa to try and find out what is happening with the McDonnell Douglas layoffs and where the contract is going to go? What of the Ontario people--what of their portion of the F-18 contract?

This, to me, is one of the big questions. This is why we are down here too, to find out exactly what the Ontario government are doing to preserve the jobs.

The Vice-Chairman: As acting chairman, I would be a little prejudiced and I had better not be. It is something that we can certainly put; the minister will be appearing before us and maybe that question can be asked.

Mr. Martel: We might ask Mr. Ramsay; he might know.

Mr. Mackenzie: I am not sure Mr. Grossman would have any more influence than Stuart Smith in terms of the--

The Vice-Chairman: See what I said? I would be prejudiced; he is always prejudiced.

Mr. Van Horne: Or Michael Morris what's-his-name, for that matter.

Mr. Patrick: If I may, on the situation, as you say, it is ludicrous. As I said before, we find it ludicrous too.

And the other ludicrous factor is the company states that they have nothing at all to do with it; they are a subsidiary of McDonnell Douglas; they are treated like a separate entity altogether. And yet when we enter into negotiations with them, they tell us: "Under the corporate office, that is the way you take it. That is what they have been offered down there, that is what you will get here."

How can they get away with this, working both ways?

The Vice-Chairman: Questions? Mr. Mackenzie now.

Mr. Mackenzie: I am not really sure, even in terms of your concern about the jobs that are going into the province of Quebec, that we can put any credence on where or what is going to happen to the jobs at this point in time.

I say that simply because in the negotiations with Mr. Gray, I presume the director of aerospace industries, the directorate in the Department of Industry, Mr. Robert G. Hack, would be working for Mr. Gray, or at least he is responsible to him as minister--that is his ministry in Ottawa--and the figures that the company used were disputed by Mr. Gray's own ministry, disputed severely in terms of the press releases which came out, in spite of his people telling him, "I do not know where you get these figures because they do not add up."

The 375 certainly sounds more accurate in terms of the two contracts that you people or your company has bid on. The 4,000 to 6,000 and the 24,000 make no sense at all. If, to begin with, the minister responsible federally said that the company's figures are haywire, how the hell do we know what the hell we are going to have distributed around the country?

It seems to me that we have been sold a bill of goods without any guarantees whatsoever, and that the federal people have bought it. I see no indication the provincial people have made any intervention in the situation, but certainly I think your question is a legitimate one, that the minister here should be raising hell with the federal authorities over what we have actually got.

I just have difficulty. We have got a more serious problem than your immediate one, although the immediate one you are concerned with at the moment is the 700 guys on layoff. I understand that, but it is obvious that our real problem is where the hell the decision-making processes are in this country and where the hell the guts are when it comes to signing a contract of that bloody size in terms of saying, "Hey, what jobs are available and who is going to get them?" and knowing that it means something.

Obviously it meant not a damned thing, the talk about the jobs, because we do not know how many jobs are involved to begin with, we do not know who the hell is going to get them, and it seems to me that the workers at your plant were led down the garden path in terms of thinking there was a potential of 2,500 jobs, because there was not.

We have really got a problem as a committee in coming to grips with this and we had better recognize it is so.

Mr. Patrick: On that issue about the 2,500 jobs, we must feel that the president of the corporation, Mr. Gray, must have some credibility in making that statement. When he states there are 2,500 jobs, surely he is the decision-making body that there is work going into that plant?

Mr. Mackenzie: If I were the federal minister in that given situation, and my own industry director said, "Hey, the figures the company has given us are hogwash," I would have wanted a hell of a lot more guarantees than he obviously got in this contract.

Mr. Robertson: Mr. Chairman, why I asked that question previously, Mayor McCallion was up in Ottawa yesterday talking to Gray. If the mayor of Mississauga went up, why couldn't the provincial government? That is why I asked the question.

Mr. Mackenzie: I think the provincial government should. I think there are a number of other people who should have more influence than we do here who obviously have not done very much about it either.

Mr. Van Horne: Very briefly, Mr. Chairman, I am next on

the list and I would like to go back to the theme of apprenticeship training or employee skill training that I was asking the earlier witnesses about this morning.

From your experience--I am not sure if you people are graduates of the Ontario school system, either secondary or post secondary, but if you are not you would know enough about it--would you describe it and the apprenticeship program as adequate for your industry?

Mr. Khalid: It is adequate in the industry, but (inaudible) the last 12 years.

Mr. Van Horne: Your opening comments were rather derogatory in so far as the training program is concerned.

Mr. Khalid: We asked them in 1969 to start a training program and start to train their own people. Their answer was, "Why should we train them when somebody else is going to use them?"

We told them at that time that all these people who are working for you were trained by somebody else, you should be thinking of other companies and the country. Only three were qualified in the early 1970s and since the early 1970s they always refused, they said they were already trained, they did not have anything to train them.

Finally, two years ago, they put ten tool and die makers on an apprenticeship program and last year three machine repairmen. We said, "You have so many people, you need a lot of skilled trades, why don't you put on some more? We have over 5,000 people working in this place, you should train more. Every time you need them you (inaudible) you have been going overseas to hire people." (Inaudible).

Mr. Van Horne: There is no reason given for the cancellation?

Mr. Khalid: No, no reason.

Mr. Van Horne: Their estimate this morning was that roughly 10 per cent of the new employees were from our apprenticeship program here in Ontario. That was an answer given off the top of the head and there may be a variance of that by three or four percentage points, I suppose.

Would you concur with the estimate that he has given from the knowledge you have of people coming into the plant, that roughly 10 per cent of them are from Ontario training facilities?

Mr. Khalid: At the regular (inaudible) they said they trained 1,600 people. (Inaudible) those people, some are coming out from school and some from the community colleges on the assembly line and they train them, they put them in school only two weeks. How can you train a person in two weeks?

Mr. Van Horne: That is an in-service training school, is it?

12:40 p.m.

Mr. Khalid: Before they put them in the shop, they send them in a school to familiarize them with some of the stuff. They emphasize that that they must read the blueprint. I can show you, I have been in the plant for 15 years and the plant superintendent walks on the floor, looks at what is going on and 90 per cent of the people don't ever read the blueprints, but they have been told, "If you cannot read the blueprints, you cannot get a job."

Mr. Van Horne: Just one final question to go at this from a slightly different view and I realize it is unfair to ask for a specific, but could you give me a rough idea of how many of the new employees that came on--and he used two different numbers, 1,600 was one and 3,000 the other. In that group, how many of them would you guess had their secondary or post-secondary training here in Ontario?

Mr. Khalid: I cannot give you any figure because they are the ones who hire the people and they are the ones who know the paperwork. But they will come into us, the young people with grade 12 educations, asking the union officials if they can go on an apprenticeship program.

Mr. Van Horne: This is after they have been there in some capacity.

Mr. Khalid: Yes, with a bit of a background or from the community colleges. But we have had them into the company. We have a full list apprenticeship program. So far they have put 13 employees on the training program.

Mr. Van Horne: How many?

Mr. Khalid: Thirteen. Ten tool and die makers and three machine repairmen.

Mr. Van Horne: Not very significant really.

Mr. Khalid: No, not at all.

Mr. Cole: May I just say in relation to that, Mr. Chairman, if you don't mind. Again, it is a wonder the company didn't use this from our point of view, as the technical people from the office.

I think they said they were spending \$24 million on new machinery. We have had a problem with regard to retraining people for these new machines that are coming in. These new machines have to be fed with a tape and it is a new program altogether, it is a new language practically. But, we have sat down with them and to their credit they are now bringing in--they have agreed to retrain about 25 I think, or whatever number is necessary, of our planners in the office who have the background of machine-shop planning. They are quite prepared now to put them through a training program

to make them up into NC programmers. They are working through Humber College.

So I must say to their credit that they are prepared to retrain quite a number of people up in the office.

Mr. Mackenzie: I am not sure, because I have listened to Mr. Van Horne's questions through the morning on the retraining, but I have a suspicion from my own knowledge of what goes on--Stelco, is a perfect example, where they have a reasonably good, but still, as far as we are concerned, an adequate number of apprentices--that we are talking about two different animals here. The retraining program of the company we will take on one side are largely production workers, and while it may be a skilled operation, they are not retraining a machine repair man or a tool and die operator, which are essential, or some of the real skills.

Thirteen people in an apprenticeship program for a company of 5,000 is totally inadequate, but even if you had one for every four or whatever the ratio now is in terms of that apprenticeship program, you would probably only be talking of 100 or 200 in the plant. Those are the real skills that will tool the stuff and everything else.

Sometimes we may be getting misled into making the case for the retraining. There is only so much of that can be done and so many can be involved. The company likes to say we are doing so much, but they are talking about in-house, even if they are fairly skilled, production people that they are training. They are training them how to put the God-damned planes together on the assembly line.

But even if we had a full-scale apprenticeship program here so they didn't have to bring in 20 or 30 from Europe, we are probably only talking about, as I say, a twofold, threefold or fourfold increase over the 13 they have. So that is not a major part of our problem, as important as it is.

Mr. Khalid: By the way, this morning when Mr. Gollihar said they hired up to 1979 3,000 employees, all Canadians. Actually they brought back from Britain, 24 skilled trades and when they came into the plant those 24 were put, one as supervisor and two or three on production jobs, which we protested.

Number one, they went to England. Number two, they told us and told the government, provincial and federal government, they would be working on skilled jobs. They put a few of them on the production jobs and we said, "How come you can hire production people who are not living in this country?"

Mr. Mackenzie: My whole point was simply that we are not doing an adequate job in skills training, but that is not the issue that we are facing. It is a very, very minor part of it.

The Vice-Chairman: Gentlemen, I would like to thank you for appearing before the committee--

Mr. Patrick: Mr. Chairman, if I could just make one

remark which was brought up this morning about severance pay and it seems to be quite an ongoing issue right now, what with the auto layoffs and everything else. We are in favour of what the government is trying to do about severance pay and what have you.

Now Mr. Lyons did quote that we received supplementary unemployment benefit for one year, and after one year the employees received their severance pay, whatever is in their contract. But I think he failed to state that after that one year, when they receive their severance pay, whatever they have received in supplementary unemployment benefits is subtracted from the severance pay. I thought I would just add that.

The Vice-Chairman: But that is part of the union contract and agreement that was agreed on by the company and by yourself?

Mr. Patrick: It is under the contract, yes.

The Vice-Chairman: I wonder if maybe either yourselves or the company could supply us with a copy of that. I know myself, I am quite interested in that where the company is contributing eight cents per hour, is it, towards that? It would be interesting just to see how it is set up.

Thank you very much for appearing.

The committee recessed at 12:46 p.m.

LEGISLATURE OF ONTARIO

SELECT COMMITTEE ON PLANT SHUTDOWNS AND EMPLOYEE ADJUSTMENT

TUESDAY, JANUARY 20, 1981

The committee resumed at 2:11 p.m. in committee room No. 1.

CANADIAN ORGANIZATION OF SMALL BUSINESS

Mr. Chairman: Gentlemen, I am going to call the committee to order. According to our timetable, we have Mr. Hale back with us today representing the Canadian Organization of Small Business; his brief has been distributed. We have no other witnesses before us this afternoon.

We do, however, have two or three points that members of the committee would like to discuss and in some cases discuss again, dealing first with the matter of the Treasurer (Mr. F. S. Miller) and the request of this committee made this morning by way of motion. Our clerk has a report back on that.

Secondly, Mr. Cooke indicated to me that there may be people on the committee who would like to invite Mr. Gray and/or other representatives from the federal government to appear before our committee, time permitting.

Thirdly, I think this committee could wisely spend 15 to 30 minutes on a discussion around the revised outline of our final report, which was handed out this morning. My request to the committee would be simply that we begin our meeting now with Mr. Hale and address ourselves to his brief, but before we leave here today that we make certain, by each of us keeping our eyes on the clock, that we come back to those other matters--the Treasurer, the working paper for that internal report, the request to get Gray and others from Ottawa and the final report outline. Any comment on that suggestion?

Mr. Turner: May I make a suggestion? I think 15 or whatever number of minutes is not enough time. Along with the other things that people want to discuss, I would suggest that you put aside an hour for further discussion of the matters. It is something that has been of concern to me, and I am glad you brought it up. I think we have reached a point when we should be talking about the direction of where we are going and what the report is going to--

Mr. Chairman: Would you suggest that we try to get that hour this afternoon?

Mr. Turner: Yes, if it is agreeable to other members of the committee. I would like to see it done at the earliest possible time.

Mr. Chairman: That makes sense to me. Any other comment on that? We just want to use intelligently the time available to us this afternoon. The suggestion is that we begin right now by

hearing Mr. Hale and his submission, keeping our eyes on the clock, remembering that we have several matters outstanding that are important to the committee.

Mr. Cooke: Mr. Chairman, would it not make sense, since we dealt with the one issue this morning, that we get a report back from the clerk of the committee now on Mr. Miller's response to that and clear that matter up before we listen to the delegation this afternoon, so that we know the direction we are going at least on one matter?

Mr. Chairman: It does to me, too.

Mr. O'Neil: My question was along the same lines.

Clerk of the Committee: I was in contact with the Treasurer's office and the message conveyed to me was simply that the Treasurer's preference would be to come to the committee to speak about the report.

Mr. Cooke: In response to that, Mr. Chairman, I, as one member of this committee, do not want to ask questions--as Mr. Martel said this morning, blindly--about a report that we have only read press reports about, and which we know has grave implications in predictions for the auto industry in this province.

I want to have the opportunity to know as much about that report and as much about the provincial government's interpretation of what is happening to that industry in this province as possible. I cannot do that by asking Mr. Miller questions, by fishing and not knowing what I am going to pick up. I want to read that report, understand the report and then intelligently discuss the implications of that report with the provincial Treasurer.

If the minister is not prepared to table that report with the committee and share that information with all members of the committee, then I certainly am prepared this afternoon to put forward to the committee the appropriate motion so that we can get that report and read it.

Mr. Mancini: Mr. Chairman, we have already had the Treasurer before our committee once, very early in the game. He came without any prepared statement, basically just to conduct his duty. We had nothing to go on. We knew not in which direction, as Treasurer of Ontario, he wanted to take Ontario industry. It turned out to be not a very satisfactory session at all.

I believe most of the members of the committee feel that they do not want to go through another session like that with the Treasurer. He has a report, it has been done and paid for by public funds. I believe we have a right to see it.

This committee is mandated to study the implications of plant shutdowns and employee adjustment. That document, which we have read about in the press, deals exactly with the issue that this committee is dealing with. I think anything short of having the document before us and then being able to call the Treasurer

is totally unsatisfactory to myself and, I am sure, to the majority of the members of the committee.

Mr. Williams: As I said this morning, Mr. Chairman, I think it is incredible that we want to read the book without talking to the author, so to speak.

Mr. Martel: Mr. Chairman, on a point of order:

I resent what Mr. Williams has said. There is not one person here who did not say he would like to chat with the author of the report. What we in fact said is we want to read the report and then be able to discuss it rationally with him and his staff when they were before us.

Mr. Williams: Did you just listen to Mr. Mancini's remarks?

Mr. Martel: I heard what Mr. Mancini said and I think Mr. Mancini and I are saying exactly the same thing. As my colleague said this afternoon and as we said this morning, we want to talk to the Treasurer, but first we want to be in a position to understand the document and what it means and then, once we know what is in the report, to be able to discuss it sensibly with the author of the report.

Mr. Chairman: Okay, you have made your point of order. Mr. Williams has the floor.

Mr. Williams: I think it is only logical we should first hear from the minister whose ministry is responsible for having authored the report. I am sure it is a golden opportunity to be able to bring the Treasurer of the province before us to discuss a report of great significance to the economy of this province on the short and the long term.

I don't think we should that the document should first be produced without having the opportunity to hear from the provincial Treasurer and his observations with regard to the terms under which the report was commissioned, the terms of reference of the report and the people who actually authored the report. I think all of this would be useful information before we perhaps got down to discussing the report itself. I am sure discussion with the Treasurer, first and foremost, would facilitate that. For those reasons, it seems to me it is the logical order in which we should be proceeding.

It is for this reason, Mr. Chairman, that I move we accept the offer of the Treasurer to appear before the committee to discuss this matter and invite him to attend before the committee at the earliest opportunity, certainly no later than one day this week.

Mr. Mackenzie: Speaking to the motion, Mr. Chairman, I don't think a lot of time is needed. I don't know anything more fundamental to the work of this committee, which deals with plant shutdowns, than a report which the minister has already responded to, at least to five points supposedly therein, if the reporters

are correct, and they must be because he responded to them in the press.

We are dealing with plant shutdowns and a large part of our hearings have dealt with the overall effect of the automobile industry in this province. I don't know anything more important than having this study before us and I want to see the report before I listen to the minister and ask him questions. I think it is fundamental. I am surprised at the opposition to the request.

2:20 p.m.

Mr. Van Horne: Mr. Chairman, I would add to that that the need we have is not only to hear the Treasurer and whatever his reaction is to that report, part of which we could anticipate from what we have read, but what is more important, to see the report and learn what it is in it and, if necessary, talk with the people who prepared that report. It is the content of that report and the implications of that report as much as the minister's reaction that we are interested in.

I submit that the motion made by the member from Windsor has my wholehearted support.

Mr. Chairman: If I may, with the permission of the committee, speak to this very briefly. It is pretty clear to me, subject to change expressed by anyone on this committee, that a motion made now, to request both the papers and the Treasurer, would carry.

With the permission of the committee I would--no?

Mr. Williams: Go ahead. I am sorry. There is only one motion that I am aware of, Mr. Chairman. I move that the Treasurer be invited to attend before the committee no later than one day this week to discuss the--

Mr. Mackenzie: That is not what was raised.

Mr. Chairman: Let us deal with the motion.

Mr. Williams moves that the committee accept the invitation of the Treasurer of Ontario to attend before the committee to discuss the report on the auto industry as publicized in the newspapers over the past weekend, and that the Treasurer attend at his convenience no later than one day this week.

Understood? Any comments on that motion?

Mr. Martel: Mr. Chairman, I would amend it.

Mr. Chairman: You are not going to amend it. My view, if I could just make my point--

Mr. Martel: Then I will move another motion.

Mr. Chairman: Yes, I would prefer you do that. Any comment on the motion?

Motion negatived.

Mr. Chairman: Are you going to make another motion?

Mr. Martel: Yes.

Mr. Chairman: Can I just speak very briefly to this? I am in the hands of anybody on the committee on this matter, but it seems to me that a motion made to request the presence of the Treasurer and the report will be made and it would carry. All I wanted to ask is, can I phone him and say this is what is going to happen and save the passing of a motion? Then we could begin with Mr. Hale.

Mr. Martel: But I would like to have the report prior to his coming so we can have an opportunity to read it and discuss it sensibly, that's all.

Mr. Chairman: I'm sorry, make your motion.

Mr. Martel: Mr. Chairman, I will make a simple motion at this time. We are prepared to move a somewhat tougher motion if the Treasurer does not accede to our request.

Mr. Chairman: Mr. Martel moves that Mr. Speaker be requested to issue his warrants directed to the Treasurer, Mr. Frank Miller and the apparent authors of the document, Messrs. Perry, Rudin, Rand, Flanagan, MacDonald and Nath, and that the documents which were sent for review to the auto industry analysts in the United States be submitted to this committee prior to the Treasurer and the authors coming before the committee.

Mr. Cureatz: I am sorry, I do not follow it. If you are going to propose a motion, why are you going for a Speaker's warrant?

Mr. Mackenzie: We have been turned down.

Mr. Martel: We have been turned down by a simple request. I would have hoped we didn't have to go this route.

Mr. Cureatz: He said he would come.

Mr. Martel: He would come, but I want the document. I want to make sure we get the document.

Mr. Chairman: Discussion on the motion?

Mr. Ramsay: Mr. Chairman, this morning I suggested an amendment to a proposed motion and both of those were discarded in favour of just calling the Treasurer and asking whether he would provide the document.

In my conversation with the minister yesterday, I very definitely got the feeling if he was asked to be here and if it

came to the point that he was asked by a majority vote to provide the documents that he would provide them. I do not think we have to go the route of a Speaker's warrant. I think a motion that you were prepared, Mr. Martel, to move until Mr. Cooke suggested otherwise, would be quite sufficient.

Mr. Chairman: Mr. Turner and then Mr. Cooke.

Mr. Turner: Mr. Chairman, I missed the discussion this morning, but listening to Mr. White, he said that the Treasurer offered to appear. He did not say or tell me anyway that the Treasurer refused to table any documents. For my own clarification I would ask you, did the Treasurer say that he would not table the documents?

Mr. Martel: I think I might paraphrase Mr. White correctly when he said that he preferred not to.

Mr. Turner: Now just a minute.

Clerk of the Committee: Yes, Mr. Chairman, the message conveyed to me was the Treasurer would prefer to appear before the committee to speak about the report; prefer as well I think is important.

Mr. Turner: That's not an outright refusal. Actually I think, with all respect, we are misusing the office of the Speaker and the use of the Speaker's warrant in this particular case.

I would much rather go the route of having as you said at first, a simple motion passed. Have the chairman, as he has already offered to do, speak to the Treasurer, find out quickly what the reaction is. If that fails, then perhaps we could consider the other route. But I think it is premature, Mr. Chairman, with all respect, to go this route at this particular point in time.

Mr. Martel: All right. I am prepared to accept that, Mr. Turner.

Mr. Turner: Gee, you frighten me. Why?

Mr. Martel: Because I prefer not to have to use the Speaker's warrant route. I would prefer to get it so we could look at it. I do not want to come down heavy handed, but we made a request and it would appear as though the Treasurer is reluctant to part with the document.

Mr. Turner: I think he made an alternative option or an alternative proposal.

Mr. Martel: All right. If the chairman could find out for us this afternoon that the Treasurer is prepared to give us the document, then fine, the motion is tabled. I am prepared to table it until after we hear back from the chairman. I would move that we table the motion, then. Or, let's leave the motion; we will just table it. We might not have to take it off the table.

Mr. Chairman: Surely that is reasonable for the time being. Permit me then to at least invite Mr. Hale to begin his submission. I will phone the Treasurer and I will report back.

Mr. O'Neil: You are going to phone the Treasurer and get an answer for us.

Mr. Chairman: Yes, I will say, "Frank, it's Bruce." And then say: "You are coming with the papers. Do you want to come with the papers now or do you want me to call you back in 12 minutes?"

Mr. O'Neil: Have we your assurance that you will be tough with him?

Mr. Chairman: Mr. Hale.

I am sorry, Mr. Mackenzie.

Mr. Mackenzie: Like my colleague, I will accept that if there is contact made immediately. But I think we are playing a little bit of a game here.

The discussion this morning was clear that the reason we were going that route and asking for it was because we did want to look at the report. We discussed that even this morning. So I hope that was passed on to the Treasurer at that time. His reaction was still, "No, I'd rather come and talk to you about it." So we really have done that. We are doing it now maybe a little more formally, but that is the only reason I thought at the time that the Speaker's warrant was necessary. I thought we had clearly asked for it this morning.

Mr. Chairman: Thanks, Mr. Mackenzie.

Mr. Hale, welcome back to the committee. Copies of your brief have been distributed and as you know you have been here before. Please begin at your leisure and there will be time for questions.

2:30 p.m.

Mr. Hale: The Canadian Organization of Small Business welcomes this opportunity and, indeed, appreciates this opportunity to appear once again before the select committee on plant shutdowns and employee adjustment.

In its brief to this committee of December 1, 1980, COSB emphatically and unequivocally stated its opposition to the legislation of mandatory severance pay within an amended Employment Standards Act.

While recognizing individual cases of hardship which may take place upon the closing of a company or significant reduction in its employment, we consider a sweeping legislative response to such problems to be unwise and, in the medium to long run,

counterproductive. Hence, we respectfully differ from the committee in its proposals to date.

However, in its interim report of December 12, 1980, the committee recommended that the Employment Standards Act be amended to require a minimum mandatory severance pay of one week's wages for every year of employment for all layoffs of 50 or more employees.

COSB recognizes that in making this recommendation, the committee wished to make an unequivocal statement of the need for a minimum level of severance pay, in addition to Ontario's already generous notice of termination provisions and federal unemployment insurance benefits. Having tied its principles firmly to the flagpole, the committee may wish to consider the practical implications of implementing this policy without reference to other pressing principles which underlie labour-management relations, economic development policy-making, and the day-to-day management of a business.

We realize that the committee's initial recommendation does not apply to firms which have fewer than 50 employees or which lay off fewer than 50 employees at one time. COSB commends the members of the committee for their understanding of the damage that an unqualified recommendation would have done to the vast majority of Ontario employers and for exempting small business from their recommendation.

However, experience suggests that future policy makers will regard the committee's foresight in this regard as an oversight to be corrected as soon as it become expedient to do so unless the committee, in its wisdom, suggests a number of qualifications to the so-called "right" of severance pay. Any employment standards legislation which accepts, even in limited form, the principle of mandatory severance pay, should be framed in such a way as to recognize the broad variety of policy considerations which should be taken into consideration in making such a fundamental departure from present termination requirements.

Although COSB represents primarily those smaller firms which are not included within the scope of the committee's present recommendation, many independently owned and managed Ontario firms, which have more than 50 employees, would be directly affected by the committee's proposals. The concerns which COSB expressed in its previous brief still apply to them.

Differing circumstances surrounding layoffs in large branch plants and small and medium-sized Canadian firms require a flexible policy response to a problem which differs considerably from one type of business to another.

The government should concentrate on delivering the most efficient adjustment and relocation services possible to firms whose employees are about to be laid off.

Mandatory severance pay would tend to victimize unduly the independent Canadian firm whose closing is more likely to be involuntary. Such measures are likely to prompt secured creditors

to push marginal firms, many of which might otherwise have survived, into bankruptcy.

Federal and provincial government services have only a limited utility in assisting the reorganization of firms facing pending business failures.

COSB rejects the notion that workers have some form of property rights to their jobs, or that a job is something for which legal compensation should automatically be due when it is lost.

While COSB strongly deprecates the notion of mandatory severance pay or that the group layoff provisions of the Employment Standards Act should ever be applied to firms with fewer than 50 employees, we respectfully suggest the following variations on the committee's unqualified recommendation which might have the effect of reducing the undesirable and unintended results of its proposals on employers in general and, by extension, to those employees who remain with their firms.

First, individuals who decline offers of approximately comparable employment should not be eligible for severance pay. Further, employers who succeed in placing former employees in new employment should not be liable for the portion of the termination settlement which will be earned in the individual's ongoing employment.

Members of the committee have raised an interesting question of principle in examining the relationship of the proposed severance settlement with current provisions for pay in lieu of notice and unemployment insurance benefits. In recognizing the desirability, both from an economic and social point of view, of relocating the unemployed and soon to be unemployed promptly into productive work, and of allocating termination settlements to those who have the greatest need, COSB is confident that this variation on the committee's proposal would result in a much fairer and more efficient allocation of resources both between employers and employees, and between soon-to-be-laid-off workers in different circumstances.

Ontario Ministry of Labour studies have suggested that, like unemployment insurance benefits, substantial termination settlements tend to be a disincentive to work for a small but disproportionately expensive segment of the unemployed. COSB questions the value of legislation which, if the committee's current proposal were to be implemented, would tend to give this minority of employees an occasion to defer their search for employment at the expense of their former employers.

We question the wisdom of imposing this unfair and uncontrollable cost on employers, and on those employees who may remain in a company which has been forced by economic circumstances to rationalize its operations and which is still struggling to survive and prosper. We also question the fairness of imposing a double standard on that minority of inconsiderate employers who fail to provide what this committee believes to be fair termination settlements.

COSB is confident that, in following our suggestions, the committee would provide those employers affected by the mandatory severance pay requirements with a much greater incentive to make the work of the employment adjustment committees and other such bodies as effective as possible. We are also confident that most Ontario workers would regard this as a fair and balanced response to the problem of plant shutdowns and employee adjustment, especially as it leaves the bulk of employer costs to meet the needs of those most in need--long-service employees and those workers who find it hardest to find alternative employment.

The committee should also take note of the intense bitterness of former business-owners in framing its recommendations. Many employers, after years of assuming the risks and responsibilities of starting and running a business, find themselves deprived of most or all of their personal assets after the failure of their businesses. They consider themselves unduly penalized by laws which provide their employees with what they regard as an unduly generous mandatory settlement while they must frequently work for years to regain their former position. As a result of this sense of bitterness, the experience and ambition of these entrepreneurs is often lost to Ontario as they seek what they perceive to be greener pastures elsewhere in Canada and the United States. This loss can be directly traced to legislation based on a concept of fairness which is psychologically incapable of applying itself to employers.

While COSB appreciates the concern of the members of this committee for the plight of those who lose their jobs in plant closings, we hope that you have sufficient understanding to avoid the needless loss of the thousands of Ontario entrepreneurs to other jurisdictions that could well result from hasty or ill-considered proposals.

Our second proposal is that a minimum of five years' seniority be required before employees may become eligible for severance pay. Mandatory severance pay should also be limited to a maximum of 20 weeks' pay for any one individual.

A minimum eligibility requirement is needed in order to limit the personal liability of employers who have been in business a relatively short time, and who are thus less likely to have the financial resources to afford the cost of mandatory settlements, however limited.

Job creation studies show that more than 60 per cent of all companies fail to survive their first five years of operation. Of those that do survive, many show only marginal profitability during this period and are liable to sudden violent changes in cash flow which can often threaten their survival. Most of these companies are undercapitalized, their credit provided by suppliers or by chartered banks which frequently take the bulk of a business owner's personal assets as security.

2:40 p.m.

Should a secured creditor place the company in receivership, the creditor's primary interest is likely to be the recovery of as

much as possible of the money it has advanced to the business. As receivers are often more concerned about getting their fee out of a company than in securing full value for its assets, the business owner is often held personally liable for the balance of the funds owed to the creditor. Any severance pay that can be extracted from the firm in such circumstances is more than likely to come from what little is left of the owner's personal assets, resulting either in personal bankruptcy or his or her inability to create new employment opportunities for many years to come.

Should the beleaguered business manage to find a buyer who is willing and able to keep it open, an unlimited severance pay liability increases the risk of an unsuccessful takeover, with the result that fewer independent Canadian businesses will be in the position to acquire these firms as ongoing businesses.

In view of the number of foreign-controlled branch plants in Ontario which might be subject to acquisition in this manner, a sweeping, unqualified severance pay law might well result in limiting such growth opportunities for independent Canadian firms. Instead, they would tend to reinforce the growth by acquisition of large, multi-divisional Canadian firms and of other foreign-controlled multinationals.

In placing a cap or ceiling on the individual benefits that might be claimed by any one person, the committee would be recognizing that in most company closings there are limitations to the resources available for employee relocation and termination payments. The law should recognize that the majority of employers, even those in the 50-employee and over category, do not have a large corporate parent with large cash reserves which can pay its laid-off employees a large indemnity when closing or rationalizing its operations.

A 20-week limit should be placed on mandatory severance requirements in order that all employees who have accumulated sufficient seniority to qualify for severance payments can share in these often limited resources. Workers believing themselves unfairly treated under such circumstances would still be in a position to obtain improved severance pay through the collective bargaining process or, should they not have a union, through the courts.

In fact, we find it ironic that the committee should be superceding the collective bargaining process in this area since these avenues are already open and when the trade union movement has made it clear that it is not prepared to make the tradeoffs required to secure proper severance pay at the bargaining table.

Mr. Martel: Excuse me, Mr. Hale. Maybe you might explain the last part.

Mr. Van Horne: Let him finish.

Mr. Martel: He smiled when he made the statement. I was just wondering what was going through his head.

Mr. Hale: Just waiting for your response.

While there are a number of other issues relating to plant shutdowns and employee adjustment which the committee has referred to in its discussions and in its interim report, a number of these have been addressed in COSB's earlier brief to the committee. COSB stands by its previous position with regard to arbitrary government intervention to prevent plant closings and proposed amendments to the Pension Benefits Act.

In conclusion, Ontario should not inhibit any further than it already has the growth of the dynamic new industries on which our future prosperity will depend. While certain flexible administrative measures may be taken to mitigate the effects of plant shutdowns on individual groups of employees, the attempt to make sweeping changes in the Employment Standards Act and make a quick fix of these problems will ultimately prove both futile and counterproductive in the face of wide-ranging structural changes in Ontario's economy.

Thus, whatever the good intentions underlying the committee's proposals, they are likely to open the way to undesirable and unintended side effects which could damage Ontario's potential for economic growth unless they reflect a deeper grasp of economic reality than has been displayed to date. These problems could be avoided with a little common sense and breadth of vision. We trust that you will give active consideration to doing just that in your present deliberations.

The Vice-Chairman: Thank you very much. We have two people on for questions so far. Mr. Ramsay first and then Mr. Williams.

Mr. Ramsay: Mr. Hale, I find great difficulty accepting the statement that you made on page three. It says, "COSB rejects the notion that workers have some special form of property rights to their jobs or that a job is something for which legal compensation should automatically be due when it is lost."

I just cannot comprehend that your membership would completely endorse a statement like that.

Mr. Hale: Mr. Ramsay, I addressed that question in some detail during my last appearance here.

Mr. Ramsay: I am sorry, I missed your last appearance, Mr. Hale.

Mr. Hale: I would be pleased to review it for you and the other members. Frankly, our members have expressed themselves quite bluntly to the effect that they do not consider that a job carries with it an automatic property right in the same sense as owning an automobile or owning housing property.

Perhaps a better analogy, in our view, in the view of personnel experts whom we have consulted and in the view of our membership, would be that holding a job is more like being a tenant in a rental property. A person has tenure in that job as long as he performs the job in the fashion that is expected of him by his employer, but, should the building in which a tenant is an

occupant be condemned as unfit for human habitation, the owner of that building is not bound to compensate the tenant for that fact; and neither should an employer whose business is no longer economically viable, or where the jobs in his business are no longer economically justifiable, be required to compensate an employee on that basis.

We do not see that an employee has an automatic right. Under certain circumstances--for instance, termination without just cause--there is a well-defined body of legal precedent which permits employees, whether in union situations or in non-union situations, to obtain recourse through the courts.

Mr. Ramsay: I do not want to argue with Mr. Hale, but I came from the business community and I count many small business owners as friends of mine and I just cannot see their accepting that type of rationale. That is why I would have to dispute your claim that this is a widely accepted premise by owners and operators of small businesses. It certainly has not been my experience and I think it is creating an unfair impression of the small business man. It is creating an impression that he is callous, uncaring, that he is using the worker for whatever ends he can and that he has no concern for his wellbeing in the short term or the long term, and that simply is not the case. I cannot accept that it is.

Mr. Hale: I agree with you that is not the case, Mr. Ramsay, but I do not think the fact that we do not accept a premise that, frankly, the vast majority of our members would consider far-fetched, makes them automatically callous or exploitative with regard to their employees. Many of them feel very strongly about the contribution their employees make to the business and they have a very close personal relationship with their employees. That does not give them, however, a stake in the assets of the business, because very frequently the employer has built up over the years an equity in the business, not just in money but in sweat and hard work, by taking the risks.

Mr. Cooke: What about his employees? There is a little bit of hard work and sweat from the employees who have contributed to that, and if there is any kind of a feeling by small business men towards their employees, it sure as hell does not come through in this brief of yours.

Mr. Ramsay: That is what I am afraid of. That is exactly what I am afraid of. That is the point I am trying to make. This brief, I think, is not representative of the small business man and I feel strongly about that. I am a small business man and I am insulted by that brief, I must say.

Mr. Hale: Mr. Ramsay, should you decide to take up another career at some future date, I am sure that our members would give you consideration for my job. But I am representing them as I have been to instructed through our surveys and through numerous meetings with our membership and I feel confident that I am not overstating their position one wit.

Mr. Ramsay: Fine.

Mr. Mackenzie: It also insults them, really.

2:50 p.m.

Mr. Ramsay: You are entitled to your opinion and I do not want to go along any further on that.

The other question I have relates to page four. It says: "COSB questions the value of legislation which, if the committee's current proposal were to be implemented, would tend to give this minority of employees an occasion to defer their search for employment at the expense of their former employers. We question the wisdom of imposing this unfair and uncontrollable cost on employers and on those employees who may remain in the company which has been forced by economic circumstances to rationalize its operations and is still struggling to survive and prosper."

Could you just elaborate a bit on that? I am finding it is just not sinking in.

Mr. Hale: All right. The first priority of this committee and of people who are making policy in this area, as we discussed when we were here earlier, should be to assist and ensure the greatest possible degree of relocation of people who are laid off through plant closings or the rationalization of employment as efficiently and as painlessly as possible.

Mr. Ramsay: I am very sorry, Mr. Hale. I did make a reference there and I stroked it out and that is not what I meant to bring up. I am sorry. That is not the point at all. The point is on page five--and I apologize.

Mr. Martel: Could I ask a question on that point before you move on then?

Mr. Ramsay: Yes. Sure.

Mr. Martel: I find that difficult, particularly considering the great number of witnesses we have had, many of them workers and the fact that the overwhelming majority of those people ask about one thing. They did not even ask for severance pay. The overwhelming majority of the witnesses we have had were seeking jobs.

Mr. Hale: I would agree with you and I would hope so.

Mr. Martel: Yes, but you give the impression in your brief that people are just going to grab their severance pay and sit around until their severance pay and unemployment insurance run out and then they might go to work. I am sure most of the committee got the impression from the witnesses who came before us that their one concern was continuing, ongoing employment. What you are saying is that some of them are malingeringers.

Mr. Hale: Mr. Martel, I would hope that when we said "a small but disproportionately expensive segment of the unemployed," we neither wished to imply nor do we think we have implied that this applies to the vast majority of Ontario workers, or workers

anywhere. To the best of my experience with ordinary working people who have been thrown out of work, what you say is exactly what they want.

The experience of the unemployment insurance program and the experience of a great many people in the personnel field is that 80, 85, 90 per cent of the people who are thrown out of work under the circumstances we are discussing fit your description; however, there is still the 10 to 15 per cent who do--

Mr. Cooke: Don't throw silly statistics like that around.

Mr. Martel: No, you cannot use a statement like that. I was the critic in the social field for four years and we found a great group on welfare who were all supposed to be malingeringers, but in fact about two per cent in all jurisdictions were milking the system. We accept that as a reality. We are always going to have some who milk the system.

The highest figure I saw in four years of research was about 1.75 per cent of those on welfare were in fact malingeringers. You cannot throw out a figure like 15 per cent. That is just too high.

You see, you use that figure to substantiate your position that severance pay is going to be really destructive. What we are trying to find out is what the costs are and what percentage you think might be involved. When you suggest a figure as high as 15 per cent for malingeringers, then you--certainly if all employers had to pay on that basis, it would be very costly, but I do not think that is really the case.

Mr. Hale: The reason I used the 15 per cent figure--and I would hope it is excessive--is that in the last several years, in discussions with officials of the Unemployment Insurance Commission in Ottawa, that is the figure they internally consider as abusers of the unemployment insurance system as it exists, to some degree or another.

Mr. Cooke: I would like to see you produce a federal study in front of us which proves 15 per cent. Perhaps you should come down to my neck of the woods in Windsor, where 30,000 people applied for 2,000 jobs at General Motors, and then feed this crap to the committee that people don't want jobs.

Mr. Hale: As I said, Mr. Cooke, I would agree with you that the vast majority of them do--I hope that the vast majority of them do--but I think to admit that there is not a minority, whatever its size, of employees who take advantage of the system just as there is a minority of employers who take advantage of the system, is to establish a double standard which, frankly, does not improve the investment climate in Ontario and creates a very substantial degree of bitterness on the part of employers towards the system and towards people who will not admit that the shoe fits on both feet.

Mr. Martel: Thank you for your indulgence, Russ.

Mr. Ramsay: Fine, thank you. The second point that I

wanted to raise is on page five, Mr. Hale. You said, "They consider themselves unduly penalized by laws."

If I interpret your remarks correctly, you are suggesting that we already have a climate here in Ontario that is not conducive to entrepreneurship. Are you suggesting that we have a climate now that is already turning our small business men to what you call "greener pastures elsewhere in Canada and the United States"?

Mr. Hale: Yes sir, I would, and I would lay it at the door of the ministry, whose minister you serve as parliamentary secretary.

Mr. Ramsay: In what respect? Elaborate please. Where do you feel that the legislation we have at present is unduly penalizing small business and is causing them to turn to other jurisdictions?

Mr. Hale: One example I could give, and I get a number of examples from people who come to us at various times, is in the administration of the Employment Standards Act. In many cases the inspectors of the Ministry of Labour under the Employment Standards Act take an inquisitorial and an active adversarial position towards the small employers they run into from day to day.

We have had a long series of comments and complaints, and very often substantiated complaints. These are not from employers who the members on my right might suggest have been taking advantage of their employees. I can tell the difference between somebody who is trying to beat the system and those who merely run afoul of it.

The impression that is created, and I don't think it is an unjustified impression, is that when there is a dispute between the interests of employees and employers the Ministry of Labour and its representatives will virtually always take the side of the employees and will take a prejudicial stance against employers. I think the legislation which was brought forward last year, Bill 89, put in some window dressing to enable employers to request a supervised vote of employees on contract offers. The tradeoff that was offered to the union movement was that they received mandatory checkoff of union dues, something they have been pressing for for many years, but which the government had refused.

However, the value of the so called pro-business side of the tradeoff was sensibly remarked by Mr. Cliff Pilkey to be valueless for the simple reason that any employer, especially any small employer, who takes the risk of calling the Ministry of Labour in to hold a single supervised vote is going to be hammered by the union, because the union very often tends to be a large operation with far greater resources than the individual employer. The employer feels himself liable to be held to ransom merely for exercising his rights.

On the question of occupational health and safety, we were given assurance in 1977 and 1978 when your ministry was drawing up

the Occupational Health and Safety Act, that mandatory health and safety committees would not be required for firms with fewer than 20 employees. On the rebound from that, we find in draft regulations, which were tabled five or six months ago, that through the back door is being slipped a regulation which would require virtually every industrial employer in this province to have a mandatory health and safety committee, even if that health and safety committee just happened to be him and the other two employees in the company, regardless of informal health and safety procedures that they may already follow in the company.

3 p.m.

Fortunately in this case, unusual as it may seem to many of us who have had past dealings with the ministry, there was some consultation requested from the private sector before those regulations were promulgated. In fact, they have not yet been promulgated.

But if you ask me, sir, if we feel that the climate for entrepreneurs is fairly balanced and that it is not discriminatory in comparison with other jurisdictions, whether it be in western Canada or in the United States, frankly I would say that many of our members would say that the pendulum has already swung too far. I have had a number of employers come up to me and say, "If I was considering expanding in Ontario, I would have to give serious consideration to"--or in the case of a number of employers who are being forced out of business--"relocating elsewhere."

Mr. Ramsay: So you say, Mr. Hale, that these entrepreneurs are often lost to Ontario as they seek what they perceive to be greener pastures. Can you provide this committee with a list of those entrepreneurs who have gone on to the United States and elsewhere Canada because of what they find to be unwieldy or unreasonable labour legislation in this province?

Mr. Hale: I could come up with some names, sir, but inasmuch as some of them are still in the province and still have operations in this province, I would have to have their permission before I would provide their names to you.

Mr. Ramsay: That might well be a worthwhile exercise.

Mr. Hale: I will certainly ask them.

Mr. Ramsay: I would like to continue, but the chairman asked us to try to be brief because we have other things here today. I just have to say, in conclusion, that I ran a business with 150 employees, which is a little larger than 50, but yet it is not that large that you lose touch with your employees. I just cannot accept this brief here today as being representative of the thoughts and opinions, as you say, of the majority of the small businesses in this province. Thank you.

The Vice-Chairman: Thank you, Mr. Ramsay. We do have quite a few who still wish to speak; Mr. Williams, Mr. Martel, Mr. Cooke and Mr. Van Horne. I would ask them to remember the time.

Mr. Williams: Mr. Hale, you refer to appendix one in your brief. I couldn't find that attached to my brief. Is there a copy of that available?

Mr. Hale: Most of the information is available in the initial brief. I apologize for that oversight. I provided the printers with that appendix but I see it did not get included in the brief. My apologies.

Mr. Williams: I don't see the report to be as harsh as Mr. Ramsay does. Rather, I equate this report more to a situation that we experienced during the rent review hearings when the committee was endeavouring to zero in on some of the big apartment owners, and suggesting changes or proposals that might have had some relevance and justification as they related to the big operators. However, it always turned out that there were many small operators who were going to get hurt very badly if certain proposals were implemented because they would make their ability to remain as entrepreneurs in that particular industry or field untenable.

So I can well appreciate Mr. Hale's concern for that segment of the industrial sector that he represents, which is the small business man who, again, is the one who is caught in the middle. It is very much like those of us who have had the opportunity to become what is described as the "middle income man," who seems to be the one who is hit the hardest when it comes to levelling the taxes so that they can be redistributed to the less fortunate.

Government, in bringing in laws, may be trying to get at the big guys but it is always the little man who seems to be hurt. I can appreciate, in that context, that Mr. Hale is making a strong case and I do not see it as necessarily an insensitive presentation as it relates to the employees of these small companies; he certainly has a strong concern to express for those 3,000-plus companies that he represents.

I am interested in pursuing, Mr. Hale, particularly the two proposals that you put forward on behalf of your membership. I think there is sufficient merit to them and I am sure they will receive careful consideration by the ministry and perhaps later on as well by this committee.

With regard to the first recommendation, the first sentence, "Individuals who decline offers of approximately comparable employment should not be eligible for severance pay." In principle that may have some merit, but I am wondering how one determines what is "approximately comparable employment."

I suppose one can sort of relate this to the unemployment insurance system where a person, if a job opportunity exists, is supposed to take the job, although there I do not think it has to be "approximately comparable employment," as I understand the situation.

Who would be the monitor of this situation? How would one determine whether one qualified or not for eligibility for severance pay if that type of criterion was laid on? The second

part of that recommendation certainly warrants consideration, but I am wondering how you interpret that first part of the proposal.

Mr. Hale: The question of approximately comparable employment was suggested because I do not think most employers would feel it appropriate to make severance pay conditional on taking just any job. We are not insensitive to the fact that many people have developed employment skills which were of great value to a previous employer and which distinguish an individual in his ability to serve effectively within the work place.

As far as determining approximately comparable employment, while that may require a certain administrative function, I think the employment adjustment committees, where they exist, provide one vehicle for determining this.

Comparability might be determined partially on the ground of wages and other compensation approximately, and in terms of the skills required. One would not obviously require a skilled tool and die maker whose skills are in high demand relative to the number of people around to take a job as a millwright, for instance. In other cases, if retraining were appropriate, some other compensating factor might be required.

In the absence of an employment adjustment committee, perhaps the Ontario Ministry of Labour, however insensitive we feel it to be to the needs of individual small employers, could be one vehicle that might be considered.

Mr. Williams: You feel the employment adjustment committee might be the best vehicle for applying the criteria in a practical way?

Mr. Hale: Undoubtedly, because the employee's peers would be involved in that committee as a matter of course.

Mr. Williams: Following that first proposal on page three, "Members of the committee have raised an interesting question of principle in examining the relationship of the proposed severance settlement with current provisions for pay in lieu of notice and unemployment insurance benefits."

Could you elaborate a bit further on that relationship, as you see it, between UI and the severance pay proposals?

3:10 p.m.

Mr. Hale: The severance pay suggested by some members of this committee--I would not say all--has been portrayed as a buffer for employees who are thrown out of work through a plant shutdown and who take a certain length of time to find comparable employment in other companies or other locales. In that sense they tend to be a supplement to existing support systems of which the broadest base is the unemployment insurance system, providing a basis of 60 per cent of an individual's base pay up to a certain amount, with the average industrial wage.

Frankly, in terms of the cost to employers relative to the effectiveness of each additional dollar need, we feel that the law of diminishing returns begins to apply after a certain point.

Mr. Martel raised in very indignant tones the idea that no significant majority of employees would malinger. I would hope he is right, but inasmuch as the unemployment insurance system provides a basic floor, inadequate as that floor may be in many circumstances, we believe that the severance settlement should be considered in connection with the eligibility for unemployment insurance and, indeed, perhaps some tradeoff might be appropriate between the extension of severance pay and the current payable as notice principles inasmuch as competing jurisdictions do have that tradeoff where severance provisions currently apply in North America.

Mr. Williams: So you are talking about an apportioning principle, is that it?

Mr. Hale: That might be one way of approaching it. As I said from the outset, we are not enamoured of the principle of severance pay under any circumstances, but if the committee in its wisdom chooses to go in that direction we would caution against the all too frequent habit of governments of piling one level of benefits on top of another on top of another, without reference to what already exists, and to look at not only the marginal costs to not only employers but to society as a whole, but the cumulative costs.

I think we come to the point where cumulative costs can exceed the benefits that we obtain from a particular system and that, as you well know from experience with the ABCs committee in Ontario, and other attempts at regulatory reform, rationalizing any system of benefits where a vested interest is at stake is exceedingly difficult, exceedingly time consuming and very often impossible.

We do not want to see the committee pile yet another layer of cost upon the employment structure in this province without first considering how this could be rationalized with existing systems of benefit.

Mr. Williams: Acknowledging, as you do in your report and from your comments, that your association is not enamoured with the severance pay concept, allowing for the fact that it may come to pass, I would like to move to your second proposal in recognition of that possible reality. You have some qualifiers that you feel should legitimately be applied to that concept.

Taking for granted that your observations on page six have been tested and that in fact the job creation studies that you refer to "showing that more than 60 per cent of all companies fail to survive their first five years of operation" is the benchmark by which you have arrived at that five-year seniority figure--is that correct?

Mr. Hale: Yes, that basically is considering the trade-off between the cost to employees of losing the job and the cost to employers. In the first five years, in many industries, it is unusual for business owners to recoup their investment even once.

For instance, in the tourist industry in Ontario, it is a standard assumption that a company does not even make a profit for five years. There are an awful lot of them that start out and then go belly up.

In the industrial sector, it is a little difficult to last five years without at least breaking even. But the returns, in many cases, are of the long-term variety and the employer puts a great deal of sweat equity into the business, equity which is in foregone wages, in very long hours, hours comparable to what the conscientious members of this committee would put in in the course of a normal legislative session, and far less in the way of remuneration, to say nothing of any consideration of pensions, or severance pay, or any other such benefits.

If these companies go belly up in that period, as first time business owners are quite likely to do, then any mandatory severance pay settlement given to employees is taken out of the financial hide, not of some impersonal corporate entity, but of the person who made those jobs possible in the first place.

Mr. Williams: The job creation studies that you refer to for your authoritative statement, are they an assimilation of various federal and/or provincial studies, or private studies that have been taken? What area do you draw from?

Mr. Hale: The basis of that was the study by Professor Birch of the Massachusetts Institute of Technology and it has been accepted by federal officials since as I understand, that would be reflective of what happens in Canada as well.

Mr. Williams: I see. It is the latter part of your recommendation two that I was not quite as clear on, what the mandatory severance pay should be. You have taken an arbitrary figure of a maximum of 20 weeks' pay of an individual and I was not able to--you do make reference to it again on page seven, but I am still not clear why you have selected that particular time frame. Maybe it is nothing more than--

Mr. Hale: Twenty years in one job is a long time, especially in this day and age. Frankly we do not think that any mandatory settlement, certainly in the context of the employment standards legislation which generally provides a minimum which can be managed by the vast majority of businesses in this province, is appropriate in that context in which the employment standards legislation has traditionally operated that we should make a precedent of applying a completely open-ended entitlement.

Now the point has been made that if an individual feels himself unfairly treated, there are a great many lawyers who will take his case to court very gladly on the assumption that you can get something more out of a judge. But frankly we think there have to be limits, especially given the application of the law of diminishing returns in such cases.

Mr. Williams: Perhaps that is all, Mr. Chairman. Again, I just want to conclude by saying I think Mr. Hale has presented on behalf of his organization a very strong presentation, but I do

not think that we should necessarily have to react to it in a hostile way. It is a very important segment of the business community from whom we have heard too little and I can appreciate their frustration in feeling they are being squeezed from both sides of this, as is so often the case. I think we have to be more aware of their particular predicaments, so I think it has been a very useful presentation for that purpose.

3:20 p.m.

Could you file that appendix one with the committee so we would have copies of it?

Mr. Hale: Yes.

The Vice-Chairman: Thank you very much, Mr. Williams. Mr. Martel.

Mr. Martel: I will try not to be too vindictive, Mr. Hale. I find your--

Mr. Hale: However--

Mr. Martel: No.

Mr. Hale: That is not a quality I would ever ascribe to you, Mr. Martel.

Mr. Martel: I would not want to offend you. I leave that to Russ Ramsay, my friend from northern Ontario.

I am not sure what one goes on your brief. You say categorically that workers have no rights, virtually.

Mr. Hale: No, sir, I do not say that, and I resent that statement, quite frankly.

Mr. Martel: Let me just read: "COSB rejects the notion that workers have some special form of property rights to their job or that job is something for which legal compensation should automatically be due when it is lost." I can pick out five or six other statements that you have made in your brief that I find difficult to accept in the type of complex society in which we live.

In your whole brief, I really find it difficult that you do not deal with what the structural problems are in our society that lead to corporations not being able to make it.

Mr. Hale: Okay. May I interrupt you just one moment, sir? With regard to the second point, we discussed that at some length during our previous appearance.

With regard to the first, should an employee make the same sacrifices, either to get the business off the ground or to keep it going, that an employer is called on to make, then I would consider that puts him in the same position as the employer,

morally and perhaps legally, with regard to entitlement should the business go down the drain.

We read of the question of Chrysler these days; employees are asked to forgo salary increases, in some cases for all practical purposes, take cuts in real remuneration for an extended period of time, so that Chrysler can get through its position. I think under such circumstances it is quite reasonable to assume that they have a claim on a share of the future profits as they have made some form of tangible and significant sacrifice in such cases. I do not think there are too many employers who would argue with that under any circumstances.

However, the question of an unqualified right, given that most firms do not have the luxury of paying their employees substantially below market wages during their first five years of operation, would suggest to me, sir, that you cannot make a categorical statement with regard to the employee's property rights in their jobs unless you consider what has gone into building the company.

There are many companies which have well-established and successfully functioning profit-sharing or employee stock ownership plans, many of which are based on the principle of mutual sacrifice and mutual reinforcement. But where the employee goes from month-in to month-out without making a comparable contribution to the equity of the business, the majority of our membership would question very strongly whether an automatic property right is something that should be written into legislation. Forgive me.

Mr. Martel: Forgive me too, because unless employees produce well, no company is going to make it. And that is a contribution which they make to ensure the viability of a corporation. If you have all employees who malingering, you are going to go down the tube no matter how much money you put into it. In fact, it is the contribution they make day-in and day-out.

If you saw the movie on Prestolite, in fact, the employees thought they were making a very viable contribution to the longevity of that particular company and felt aggrieved that it was going out of business.

Most people, if they work for an employer with whom there is a good relationship, have a feeling for that company as well and are really struck when it goes down the tube. If you think they just come and collect their wages, I suggest to you that is not really the case. They do put something into that company.

I am not going to argue about their rights. I am just making the point that as I read your brief I find statements in a number of areas, generalized statements, that are not substantiated with any documentation.

The number of companies fleeing Ontario: That cry was made during the last election in British Columbia as well, that they were all flying the coop because of Barrett. Statistics today

indicate that as many companies have flown the coop under Bennett as under Barrett.

Mr. Hale: Given the incompetence.

Mr. Martel: I do not believe Bennett is some flaming left wing radical either, but the cries were made.

These cries, these generalities you speak about--I guess what I find offensive about the report is that you do not deal in substance. You deal in vagaries, generalities. You do not substantiate the material with documentation. It is easy to speak in generalities, make sweeping condemnations or sweeping remarks, but nowhere in here do you focus on anything and substantiate it. These all seem to be gut feelings about people that are not substantiated in your documentation. That is what bothers me.

Mr. Hale: Mr. Martel, I have a constituency as you do which I try to keep in very close touch with, and I think I do a reasonable job, Mr. Ramsay's comments notwithstanding. However, I would alert you to the fact, should you ever become Minister of Labour in this province--

Interjections.

Mr. Van Horne: Russ would not go that far.

Mr. Hale: --that getting any sort of statistics on anything out of the small business community in this province is pretty difficult.

Mr. Martel: Notwithstanding Mr. Ramsay's remarks--again, if you are going to come to us and say that all kinds of companies are leaving, fleeing the coop, I think you should be prepared to illustrate that with examples, with the number of corporations that have gone to other parts of Canada or to the United States. But to make a statement like that without foundation is difficult.

Mr. Hale: I have one example of that.

Mr. Martel: We can all find one example.

Mr. Hale: I met with a gentleman last week who is in the process of seeing four fairly small companies with a total of 90 people employed in them go down the drain. In his particular case, he attempted to take over an American branch-plant operation and make the management changes that were necessary to make it a viable company.

He attempted to get financial assistance--and we went over this in great detail the last time, as Mr. Mackenzie will recall--both from chartered banks and from our magnificent government pseudo-banking institutions. Frankly, he was so tied up in red tape that, even though he had an assured purchase order for everything he could produce and he could prove the efficiency of his company by 1,000 per cent in terms of production, he simply was not able to finance the production he had already sold.

He already has offers of employment from Colorado, from Texas and from the midwestern United States. He said: "After the effort I made to bail out a Canadian company and after getting caught in all the red tape, there is absolutely no question that I am going to take that offer. I know that not only can I get a better deal in terms of the investment climate, but when I want something the local governments, the local chambers of commerce, the state governments, will bend over backwards to see that there are no obstacles in my way."

3:30 p.m.

I am not going to suggest to members of this committee that we go into direct competition with Ohio, with the southern United States or with any other jurisdiction in the United States; but I am saying that alternative is wide open, it is understood and the people who have management skills, technical skills and entrepreneurial skills always have that at the back of their minds. If they are kicked in the teeth often enough, they will leave this committee, this Legislature and this government to clean up the mess and they will go and do their thing elsewhere.

Mr. Martel: Mr. Hale, for four years now--

Mr. Cureatz: Supplementary, if I may: You say they leave this committee, they leave this Legislature. The difficulty I have, notwithstanding your brief and the fine job you have done in presenting it, is that all those people you say are leaving the committee and leaving the Legislature are not here. This is the point I find frustrating in terms of having as witnesses people from various other plants, some of whom I feel have been rather negligent in social consciousness. We have not heard from an awful lot of the other people who are coming forward.

Mr. Hale: I have spoken to at least 20 people, Mr. Cureatz, and I would love to bring each and every one of them here to talk to you. The response I get from them is: "It is your job to take the garbage that is poured on employers in this province. Frankly, I cannot be bothered. I am not going to have my personal affairs raked all over creation for political purposes."

Frankly, that is the image this committee has chosen to give itself. I am not making personal reflections on any one person, but that is the message that has got out, that because it is an election year severance pay is a nice little goody that you are going to give the workers of Ontario, regardless of the final details or the problems of individual employers.

Mr. Cureatz: I would like you to take back to the people who are saying that that they also have a responsibility to partake in the democratic process, to partake socially in whatever the process is and to relate to, in this case, this committee some of their concerns and frustrations. I do not think we are getting to the point where it is good enough to say, "You are going to handle the whole ball."

Mr. Hale: I wish I could bring them here. I could show you living examples of people who have come to me, whom we have

set up with consultants and with all sorts of people, and who are trying to keep their businesses afloat.

An hon. member: Maybe we could force them in.

Mr. Hale: That is precisely the response. If they came in here and failed to answer a question, you would subpoena one of them and you would lose the entire group.

Mr. Turner: Would it not be fair to observe that the majority of people you represent would not be affected by this type of legislation?

Mr. Hale: I said something--I think it is on page two or three, Mr. Turner--and I made a reference to it when I was responding to Mr. Ramsay earlier. This committee says 50 employees, a limit of 50 employees. We have absolutely no illusion that two, three, four, five or 10 years down the road, if the principle enshrined by this committee is not stated or qualified in such terms as to take into consideration other equally valid principles, the entire range of business management questions, labour-management questions, economic policy development, that 50-employee limit is going to be whittled down until it is effectively meaningless. We have seen this happen, not only with respect to the occupational health and safety legislation, but in regard to other things, both here and in other jurisdictions.

Frankly, if individuals on the committee are going to take a single-factor approach to the questions, concentrating on the very real problems that do exist for certain individuals but neglecting the broader picture--and Mr. Martel made reference to the sweeping changes that are taking place in the structure of our economy--then there is nothing to stop people from saying: "It was just an oversight. Let's make it 20."

Mr. Martel: Where are we making sweeping changes? That is what bothers me. Our economic structure is what has got us into the problem.

Mr. Hale: Perhaps deficiencies in it.

Mr. Martel: Not deficiencies, structural problems that have to be rectified. The Gray report, the Watkins report, the Honey report, the select committee report--you could go on and on and on--all point out the weaknesses in our economic structure that lead to the sort of dilemma we are in. Are you saying economic changes are being made? If anything, it is becoming more deindustrialized than ever before.

Mr. Hale: There are changes. Unfortunately, we see the examples of those changes in their least appealing and, at the human level, their most distressing level, but the changes are happening.

One question this committee might well face in its deliberations is are we going to take control of those changes? Are we going to look at ways in which the people, the skills and the capital which are invested in the industries that seem to be

declining can be transferred with a minimum of dislocation and a minimum of human suffering and hardship to those industries, those sectors, which have a larger growth potential, or are we going to concentrate on subsidizing, on bailing out, sunset industries--the Chrysler assembly plants, the Massey-Fergusons--without regard to the fact that we cannot put the clock back? If we try, the Japanese and others are going to run circles around us.

When we see \$200 million being given by the federal government to Chrysler, when we see \$50 million being given by the provincial government to Ford, and to Emd, like it or not, the wheels of progress grinding the commitments that were made at the time of those handouts into shreds, frankly we do not see a great deal of value in that. This is just the social policy flip side of what you folks like to call the corporate welfare syndrome.

The Vice-Chairman: Could I remind the members and our guest that time is moving on? Mr. Martel, we are back to you for questions. We still have Mr. Cooke and Mr. Van Horne to hear from.

Mr. Martel: A couple of points: It is interesting that you say Japan is going to put us all to the wall, and yet Japan's attitude towards its own people shows a vastly different approach, the attitude of the Japanese employer to his employee, than the one you convey in your report.

Mr. Hale: That is true; however, the Japanese employee and the Japanese society have a completely different approach to the relationship between the creation of wealth and the redistribution of wealth. They understand that you cannot have one without the other and that, frankly, one needs to create the mechanisms, the structures, which allow for the creation of wealth before one can redistribute that wealth.

Mr. Martel: We have the wealth though, Mr. Hale. We have the wealth. The Japanese, for example, have no natural resources. We have them to burn and that is what we are doing with them. We are literally burning them, because we are not utilizing them in Canada.

Mr. Hale: They are sitting in the ground well preserved.

Mr. Martel: They are not even sitting in the ground. We are taking them out of the ground and sending them somewhere else to be produced into something, rather than utilizing them in Canada as the basis of a properly diversified industrial economy. Nobody is saying a hell of a lot about taking those resources out of the ground and not processing, refining and manufacturing them here.

When we say it as part of an industrial strategy, people like you say, "Ah hah, you fellows want to control everything." On the other hand, if we just let them go we continue to have the structural problems that we have in our society today.

3:40 p.m.

You cannot have it both ways. What do you want? Do you want

us to keep the resources here, the basic wealth that is here, and use that wealth for the benefit of Canadians, for jobs for Canadians and so on? If that is the case, then there are going to have to be some drastic changes in the lack of policy, or no policy, or the policy that exists with respect to natural resources. So that some of us say rather than seeing it being shipped abroad by multinational firms, somehow there has got to be a handle on it and it's got to stay here.

Mr. Hale: However, the way to do that is not to substitute one multinational that happens to be foreign owned for another giant corporate entity which happens to be state owned, but to provide the incentives, to restore the incentives--

Mr. Martel: What do you mean by incentives?

Mr. Hale: --to the individual Canadian entrepreneurs, resource development people, who--

Mr. Martel: Tell me what you mean by incentives in the mining sector.

Mr. Hale: I was referring--

Mr. Martel: I am talking about the resource sector. Tell me about the incentives.

Mr. Hale: In the energy sector, the opportunity to enjoy a return which is comparable to the United States, given the fact that an individual Canadian entrepreneur in the oil sector can make twice the return on a comparable volume of oil in the United States than he can in Canada, to allow them to enjoy a greater proportion of the fruits of their labours, whereby you will see a far more efficient system for the recovery of resources.

Mr. Martel: It has been in the private sector all these years and last year's profits in the oil sector I think went up something like 54 per cent over the year before. The profits are there. We do not even talk in terms of profit and a fair return on investment any more, Mr. Hale, we talk about what it is going to take to explore and to find new resources, and therefore the price is legitimized.

Mr. Hale: When you take that percentage figure, you talk about the large people who are not taking the risk but are simply buying up--

Mr. Martel: They say they are taking the risks. Shell tells me every day, and so does Imperial, that they are taking tremendous risks.

Mr. Hale: I suppose they might be able to claim that in the frontier, although I do not pretend to be as much of an expert on that as perhaps your research people might. When I look at the situation of the independent Canadian oil people who form 20 per cent of our membership in Alberta, I see they are taking the risks which many of the senior oil companies claim they are taking, and

that the larger companies just come in and buy up the resources that they discover, that they develop.

It is not so much that the industry is making a killing as that the structure within the industry tends to discriminate against the individual entrepreneurs who are actually finding new energy and providing us with the energy security that this country is looking for. But I think we are getting off the topic.

Mr. Martel: We are not because, Mr. Hale, the problem that is facing Canada in my opinion is a structural problem, why we have a vast number of companies closing the doors and leaving Canada and going back to the United States or to Europe and supplying from offshore to a small economy in Canada; and we have a problem.

The other problem, of course, is banks and I have never taken anything off--

Mr. Hale: You should have been here the last time; we had a very good discussion regarding the conservatism of the banking community and their impact on small firms.

Mr. Martel: Having looked at this whole problem for four years previously on another select committee, the problem you talk about today is ever present. You mention a Canadian businessman who wants to expand and the banks are not prepared to make the type of venture capital available that is necessary for them to either purchase or expand, and then you will see the same banks lending to multinationals who come in and use the basis of what is already here as their down payment and they borrow the rest from the Canadian bank which would not lend to the Canadian firm.

Mr. Hale: We had a magnificent discussion and I think we would tend to agree with you on that subject, that there is a far different attitude displayed towards Canadian firms which are seeking to develop business opportunities in this country than there is towards subsidiaries of major multinational companies.

Mr. Martel: I just again make the point in summation that the things we are attempting to do are to ensure that there is some protection for workers.

Coming from the north and one-industry towns, I have seen this over and over. The only thing that a worker has is his home. When he leaves that community with the price of a home deflated, or he cannot even sell the bloody thing, there has to be some form of protection for him until he gets to another area and puts his roots down there. There has to be some sort of responsibility to ensure that he is not wiped out either.

Mr. Hale: I think you are pointing to a situation which is valid in its own context but which does not warrant the creation of a uniform, universal standard across all of Ontario, because that is not the case for all of Ontario.

I think it would challenge the ingenuity of this committee and indeed challenge the ingenuity of any set of policy makers to

search for an equitable approach to the problem of one-company towns which will not have undesirable and avoidable negative spillovers for towns or communities, for local economies that are not in that peculiar position.

This is where we come to the problem of establishing a single, uniform principle to apply to a very diverse and very individualized situation; and while you would raise a valid point with regard to company towns in northern Ontario, frankly, I would not want to see that become the major premise prompting this province to undertake enormous strides in social legislation without recognizing the offsetting economic consequences of such policies.

Mr. Martel: But Armstrong Cork in Lindsay is the same sort of problem whether it is northern Ontario or southern Ontario.

Mr. Hale: But to call Lindsay a one-company town or to make any comparison of the magnitude of that unfortunate situation to the one-company towns that you are referring to, I think, again, you refer to overkill. I suggest to you, sir, that appears to me to be overkill. While we had the member for Victoria-Haliburton (Mr. Eakins) here earlier in the hearings and the representatives of both the company and the employees here, they would tell you that you are overshooting the line.

Mr. Martel: The employees certainly would not.

Mr. Hale: I recall reading in the transcripts that there was some exchange between the representatives.

Mr. Cooke: A couple of brief questions, Mr. Chairman. What percentage of small business in Ontario does your organization represent?

Mr. Hale: If one would presume that one third of all the small businesses in Canada are located within Ontario, we would have about 3,000 of 200,000 businesses. We have been in business as you can note from our first page of our submission for a little under 18 months.

Mr. Cooke: But it says here near the front page you had 1,350 in Ontario, out of how many small businesses?

Mr. Hale: A little under one per cent.

Mr. Cooke: That makes me feel a little bit better about your presentation. What percentage of the companies that you represent are unionized?

Mr. Hale: We asked that question in a survey (inaudible) in November and I think the answer came back as four per cent.

Mr. Cooke: How does the other 96 per cent negotiate severance pay, as you suggest in your brief?

Mr. Hale: They go on an individual basis, depending on the employer, of what they consider to be fair under the

circumstances. However, the typical circumstances that were suggested in the survey that we ran in November would suggest that the employers' first priority, should he be unable to keep the company afloat (inaudible).

Mr. Mancini: I have a point of order, Mr. Chairman.

Mr. Cooke: Back to the present. I think you were explaining how the other 96 per cent of ununionized employees are going to negotiate severance pay. Basically what you are saying is they go cap in hand and beg for severance pay.

3:50 p.m.

Mr. Hale: No, sir. The employer's first priority in those circumstances, as suggested by our survey of last November, would be an attempt to find the employee a comparable job. Very frequently with a competitor in their own industry as the employee was--

Mr. Cooke: My question was not about finding alternative employment, although that is a priority. My question is that in your brief you suggest that the best way of getting severance pay is to do it because at unionized plants they negotiate it in the contract. You indicate that four per cent of the plants that you represent, the companies that you represent, are unionized. How does the other 96 per cent get severance pay?

Mr. Hale: On occasions where, due to the absence of further employment, severance pay becomes an issue, and presuming that the company in question is still in operation, which it rarely is, the employer would attempt to make provision for the employees who were laid off should there be any surplus resources to do so.

In many cases--I would suspect in the preponderance of cases, as would be suggested by the Minister of Labour's report tabled last December--the employer would be forced into receivership and the receiver would be responsible for handling whatever resources were left. There would be no resources and there would be no surplus (inaudible)--

Mr. Cooke: Basically what you are saying--

Mr. Hale: --after the secured employer took his cut.

Mr. Cooke: Basically what you are saying is they are not protected.

Mr. Van Horne: A supplementary on that, if I could, Mr. Cooke because I think it is germane.

On page five you submit to us that your organization or you would support a minimum of five years' seniority as a minimum requirement for severance pay. Then you point out in the next page that the studies or evidence you have is that over 60 per cent of these small companies fail to survive five years. So only 40 per

cent of them might ultimately be eligible, according to your recommendation.

I find that a little hard to accept in the light of the--

Mr. Hale: If there is nothing left in a company, if the company is dissolved, the arguments that were raised in support of severance pay, a typical argument was that Armstrong Cork has \$66 million in assets left in the business, after all is said and done, and the employees had some fair claim on that.

However, in the case of many independent firms, and we deal with a number of companies that are in financial difficulties, there are no surplus assets. When you are talking about severance pay, you are taking it out of what is left after the bank or secured creditor has liquidated the entire assets of the company and a large proportion of the personal assets of the employer.

Somebody who has been in business for five years is likely to have his home on the line, his car on the line and any other movable goods he has on the line with the result that the bank comes in and takes what it pleases, as Mr. Martel probably can testify from personal cases in his riding. Frankly, any severance pay comes out of not current year's earnings but future years' earnings for the employer.

If you tell me that me that you want to rub the faces of employers who have been forced out of business into the mud a little further so that there can be a fair severance pay allowance, frankly, that is the sort of double standard and thumbs-down approach that leads many of our members to think the investment climate in this province is already unpleasant enough for their taste.

Mr. Cooke: Mr. Chairman, one final comment and that is, from what you saying you show a tremendous lack of understanding when you say that an employer whose business goes broke then has his house on the line and all his assets. Let me tell you there are thousands and thousands of unemployed workers in this province who also have their homes and their cars and all their assets and their life dreams on the line as well. If they put in 20 years or 15 years or 35 years into whether it be a small business or a large corporation, they have contributed to the profits over the years for those companies and they have a right to assume some kind of reward at the end. That is what we are talking about.

Mr. Hale: Whether there--

Mr. Cooke: Could I please finish, Mr. Hale, because then I am completely finished.

All I want to say is that your basic presentation to us today is that to cure the problems of small business in this province, the workers should take the responsibility and the financial responsibility on their backs.

Mr. Hale: Hogwash.

Mr. Cooke: There are a lot of other provisions that could be made through the tax system, through the Ministry of Industry and Tourism, the Ministry of Treasury and Economics to assist small business and assist them in growing. We agree with that, but we don't agree that the workers should be the ones that suffer.

Mr. Chairman: Mr. Hale would like to respond to that so I will give you just a moment, and then Mr. Van Horne, but do respond briefly and succinctly.

Mr. Hale: It is very easy for you to say that, Mr. Cooke. However, our experience is that if indeed there are no surplus assets in the company or relatively little in the employer's personal account, anything that the Ministry of Industry and Tourism or any other so-called "economic development" ministry in this province can do to ameliorate the situation, is going to be more than offset by corresponding social policy decisions.

So, in essence, what we are saying is that both sides are spinning their wheels so that they can come out even. Frankly I don't think that's the way to run a government.

Mr. Van Horne: I would like to conclude the questioning of the committee by making my own personal observation. For you to suggest that for me or any member of this committee to suggest that severance pay was intended to rub the nose of the small employer into the dirt of bankruptcy or whatever, is offensive and I cannot accept that.

Your concern in so far as the theme on severance pay seems to be the cost factor. I would point out that although you have sat in on many of our meetings, a significant number of employers that we have talked to, albeit some of them are larger employers, have responded to our questions on severance pay, indicating that whether it had been legislated or not, it would not made a whole lot of difference to them. So I find some of your comments a little bit inconsistent with some of the answers that we have been given before.

I make that as an observation. You may respond to it later if you will, but I don't want to take the committee's time.

Mr. Hale: If I may--

Mr. Van Horne: I think you have made your point on severance pay. Let me make a point or two.

Beyond that--in your brief you have centred on that theme--you have spent precious little time and attention on such other topics as notice of layoff, pension benefits, justification of closure and employee adjustment. Those are themes which we, as a committee, are addressing, and I have to wonder, in the absence of observations or comments or recommendations on that, whether your organization does not have any views on these matters.

Mr. Hale: I wish you had read our first brief, Mr. Van

Horne, because we had a number of comments on each of those areas. We addressed them in some detail.

Mr. Van Horne: But you choose not to refer to them today. Let me ask the question, is this for the simple reason of addressing severance pay and not the other themes, which you felt were dealt with adequately before?

Mr. Hale: Unfortunately we did not address those in great detail. I would love to discuss each and every one of those questions with this committee. But inasmuch as you gentlemen have quite enough reading to do, I could simply say once again what I said in the last brief, to which areas the time factor did not permit the members to bring their questions to bear.

Frankly, with regard to the pension benefits legislation, we feel that the pension guarantee corporation is something which should not be rushed into prior to the report of the Haley commission on pensions. However, Bill 214, which Mr. Drea brought in late in the fall session of the Legislature, is an acceptable first step. The key, as far as we are concerned, is that employees have full and regular disclosure, not only of the hypothetical pension that they should receive, but also of what they would receive if the company terminated the pension plan at a particular time.

4 p.m.

One of the problems with pension legislation is that very often it is used as a bargaining tool to convince ratification meetings to ratify contracts and that the individuals really are not aware of the fact that the funding is often 15 years behind schedule.

I would refer you to the detailed recommendations on pensions because they received a great deal of thought. They were the result of substantial consultation, both with companies that have retirement security provisions for their employees--almost 20 per cent of the members we surveyed had such provisions--and a number of people in the industry who work regularly with small business had a great deal to say in the preparation of that document. I would commend that to your attention inasmuch as I do not recall you being here the last time.

Mr. Van Horne: Mr. Chairman, let me interject at this point: I am not sure I need a lesson or a lecture from the witness; I am quite able to read those materials that may be presented on occasions when I am not here. As far as my attendance is concerned, I am quite satisfied that it is appropriate and adequate for my service on this committee. I would like to--

Mr. Hale: Pardon me, I am not casting any aspersions on your--

Mr. Van Horne: You have already cast them, you have done a fine job.

Thank you very much, Mr. Chairman.

Mr. Hale: The answers for those questions are on the record, should you wish to check them.

Mr. Chairman: If there are no further questions, I apologize for my own absence, Mr. Hale, for a period. I will read over your brief. Thank you again for coming back. We appreciate your time.

Members of the committee, I was a little longer than I thought I might be.

The discussion started off as I said it would: "Frank, this is Bruce." "Bruce who?" So it took a little longer.

Mr. O'Neil: It was suggested that maybe he had you on hold for that long.

Mr. Chairman: Well, that too.

With the permission of the committee I would like to invite Frank Miller, the Treasurer, to the table so that he may speak to the matter which is before us.

Hon. F. S. Miller: I have actually come on a very serious matter. The serious matter, of course, is your request to force me to appear before the committee and to produce certain documents and people. I start right of the bat by saying I am quite aware of your powers and I am not arguing those powers. I wanted the opportunity to give you a little background, to explain what I think is the perspective that may be useful in examining this issue, and also to pose one legal problem that I face.

The background is this. Back in the middle of the summer I called in my chief economist and pointed out that I was not totally satisfied with the quantity of material I was getting in front of me on background information to help me in policy matters. I was getting quite a bit, but I felt I needed more background material for economic related matters.

It was a friendly talk. I pointed out that I was not an economist, I was a politician and as such I really depended upon a good flow of ideas--I think I used the words "shotgun of ideas"--to give some alternatives from which to choose. It is always easier to choose than to originate. If I have an idea, such as the sales tax removal last February or the pulp and paper program, there is no problem getting it down but my ideas are, like anybody else's, somewhat limited; some people would say more than others. The fact remained, I wanted a lot of ideas coming up to me from which I could choose some.

That brought an immediate and enthusiastic response from the economists. I would say I started to get quite a bit of paper flowing through my office with a number of ideas, and fairly unconstrained ones.

About two weeks ago now, Mr. Daw of the Toronto Star phoned me in Muskoka and told me, in effect, he had either been told about or had seen--he was not too specific as I recall--a fairly

lengthy report on the auto industry. He implied that I wasn't doing anything about it, and what was I going to do about it. He started naming a bunch of things in the report, basically what he wrote in the Star article.

I said: "I am not sure you and I are talking about the same piece of paper. It seems to me I have seen something like that back around October. I certainly have seen a number of pieces of information on the automobile industry and all of them have been relatively gloomy. I am not trying to paint any rosy pictures, so I am not going to argue in detail. It is possible the reports you and I have both seen contain all of the things you say, but I would like at least a chance to look back." Because I could not remember anything about the V-6 engine plant problems such as he was discussing.

I was away for the next week. Last Thursday--or, I don't know, Wednesday?--he and I had an interview. At that time he, I believe, I started the interview, by saying, "I'll tell you what is in your report." And he did that. He then said, "Do you confirm or deny that?" I did not try to deny it. I think he wrote a reasonably honest and straightforward article and I am not taking any exception to it.

What I wanted to point out is that in a ministry like mine, a ministry that has the right to look at almost any minister's policy and program, you get a lot of fairly interesting memos. It has always been a ministry that encouraged bluntness, forthrightness, criticism--even of each other. I think it is an environment that is very healthy in government. I think it is one that stimulates individuals to say what they think rather than get them totally submerged in a bureaucratic process.

It has, however, always honoured the confidentiality of an individual's opinion as expressed. I think that is a very important part of the process, because it is only when a minister takes on a policy that it gets the stamp of government approval and becomes something that in effect the government stands or falls on. If people feel they cannot tell a minister: (a) when he is wrong; or (b) what a set of options are, or gloomy forecasts or positive forecasts, I think any of us--and all of you aspire to be in power--are going to have people very constrained in what they say to us.

Mr. Chairman: Especially the Tories on the committee.

Hon. F. S. Miller: I say it in all honesty to those who hope to replace us as well as those who are there now.

If you asked me had the kind of information I get resulted in the action, yes. We have had the employment development fund, which was aimed specifically, a lot of its money, at the parts industry. We have had a stress on Ontario Development Corporation loans to the parts industry. We took the retail sales tax off trucks in the mini-budget and off cars last February based upon things people were telling me about the state of the industry, the percentage made in Canada, et cetera.

Skill training was something that kept popping up in these background papers, the lack of people with the right skills. The kinds of things we do with the federal government, the auto technical centre, which was mentioned, I think, by Mr. Groesman a few months ago, indicated there was a need for that kind of facility able to help independent parts manufacturers. And even the parts presentation--I don't know what you would call it--that was done in Geneva last year where we took Canadian manufacturers to see the kinds of parts that they could compete on in world markets.

4:10 p.m.

You could go on and on and say, "What have you done?" As a result of information there are quite a few things one has done.

As I understand it the Williams commission on freedom of information really said the kind of material we are talking about should be protected for the very reasons I have given. I didn't even know he had said that at the time I offered these opinions.

Mr. Van Horne: Could you repeat that, Mr. Minister?

Hon. F. S. Miller: In other words, the kind of information, the background information--I can read the parts he put there, it might be useful because it is going on the record. You may want to refer to it later.

Page 289, volume two of the report, says: "The primary concern relating to public disclosure of documents containing advice and recommendations is that such documents would be written with less candour than is currently the case. It is suggested that public servants may feel a greater reluctance to express critical views or to put forward proposals that might ultimately be considered contentious, and that these effects would diminish the quality of policy making and decision making activities within government.

"Second, there is some concern that access to such materials would substantially increase public discussion of the personal views of public servants and that a loss of anonymity and perceived neutrality would result. To the extent that public servants become the focus for public discussion of policy matters, the role of ministers would therefore be diminished. There is also some concern that the accessibility of these documents might lead to greater use of oral communication."

That is an understatement if I ever heard one.

Mr. Mancini: Which report is that?

Hon. F. S. Miller: That is the Williams commission on the freedom of information that was recently released. It was called Public Government for Private People. I am sure you all got a copy of it.

Mr. Mancini: Has that been accepted?

Hon. F. S. Miller: I am only giving this as background right now, and I think Mr. Pope is working on the freedom of information aspects of that.

That is the background. Interestingly enough, when I traced back this alleged "report"--and I use the word report in quotes because it was not; it was a lot of paper, a lot of advice not intended for publication even by the authors--the ironic part is I had never seen it. Even at the time of the Star interview what I thought he was talking about and what I had seen was not the same piece of paper. The document I had, I am guessing, was dated somewhere around October and was not quite the same, but covered basically the same territory.

That does not matter too much. The staff had simply felt they were far out enough in the one they were discussing that they really did not want to send it upstairs.

A key part about that specific one was this. It has in it, and this is where my legal problem comes, a number of statistics that were gathered under the Stats Canada act that make it, for me, an offence to release the information--not the background and the writing, the statistics.

I am told that even if I am forced to release that information by the committee's request or by a Speaker's warrant I am still subject, and my staff are subject, to criminal prosecution. That is a concern to me, and only ask that if you go forward and still require the information that you give me at least one day to get legal advice on my own role in it to protect myself.

Mr. Chairman: There are obviously two or three comments there. Mr. Treasurer, do you have any more general observations.

Hon. F. S. Miller: That is really it. I am making a plus case, I hope, for the fact that any government functions best when any minister or officer is able to have frank discussion and full information before him or her from which to be able to formulate policy and put it in a form that is either released as an action or as a think piece, like our interest piece.

You have every right in the world under the rules of this Legislature and this committee to demand the production, I do not deny that. I will need to ask legal advice as to how to protect myself if you do. I have nothing to worry about in the content. In other words, there is nothing there that I am embarrassed about coming out. Basically, the information will be along the lines disclosed in the press, that is basically it.

I do think you do the system that we all well depend upon a bit of a disservice by using a weapon as strong as that to obtain access. I am quite pleased to answer questions. The report was only brought to me by the staff, I guess briefly yesterday morning before I went to a cabinet meeting. They tell there was a total of 10 numbered copies downstairs for their own use among the staff while it was confidential and being worked upon that they never brought up to me. The one I saw had a bunch of handwritten

comments on the side and a number of graphs and so on, which helped me realize I had never seen the work. In reading a text it is not always easy to be sure it is not the same kind of material as you have seen previously.

That is not the key point. The key point is that the production of that kind of thing does have an effect upon your quality of information.

Mr. Chairman: Thank you very much, Mr. Miller.

There are half a dozen members of the committee with questions. Mr. Van Horne first.

Mr. Van Horne: Mr. Miller, the number of copies you said was 10?

Hon. F. S. Miller: I am told there are 10 staff copies around.

Mr. Van Horne: Did the gentleman from the Toronto Star in fact have a copy of one of those 10, or did he have one of the 10?

Hon. F. S. Miller: I guess I am as interested in that as you are. I do not know. He never said to me he had seen a copy that I can recall.

Mr. Van Horne: But he had substantive information and it was identical to what you see as part of what you have seen (inaudible)--

Hon. F. S. Miller: First of all, I still have not read the report. I stress that. Okay? I have been in cabinet almost solidly for two days. So for me to say that what he printed in the Star was what was in that report would be inaccurate. I would say it fits in with the kind of material I have seen in half a dozen background papers.

Mr. Van Horne: Chances are then that he has seen it.

Hon. F. S. Miller: I accept the fact that probably he has been reasonably accurate. I would like to have some of my staff verify that before too long.

Mr. Van Horne: Coming in on the thrust of our consideration, I think we all appreciate the need for confidentiality in certain of the processes that you have to work with. I would think, on the other hand, you would have to agree that we have been given a mandate of sorts by the Legislature and that we too have a job to do.

You have to ask the question then, "How can we do the job thoroughly and properly with anything less than full information?" If, in fact, the report to which you have alluded has any information there that would assist us, then I think we are obliged to insist on seeing that.

I am on the horns of a dilemma here, Mr. Chairman, because I do not know how that can be done in anything but a public forum. That is really the nub of our problem.

Hon. F. S. Miller: Again, I cannot answer that except there are two basic things in the specifics as to how to protect my neck from a legal point, which will not worry you too much, but which will worry me. I would think I may get advice that there are parts of the report that are the statistics in tabular form, which are considered to be the kind of information given by corporations to StatsCan for their private use, which could be taken out. That is possible.

That would not, in any way, really take away from your value in reading the report, I do not think.

Mr. Van Horne: No.

Hon. F. S. Miller: They are put in for illustrative purposes and to give you more background when you are reading the detail, as I saw it. I do not even know which parts would fit into that category.

The second one though is the issue: should a staff paper be interpreted to your committee by a minister or should it be revealed to the committee in direct form? I do not know. I would argue the latter is not as useful as the former because then you start making individual civil servants stand up for that which they wrote and that is what you elect politicians to do, rather than civil servants.

Mr. Van Horne: I would submit that this is a--

Hon. F. S. Miller: It is only when I accept their advice. I think there is a fundamental difference. I am responsible for the advice I accept or reject and I hope you would accept that.

Mr. Van Horne: Yes. I do not have your problem. But again, it is--

Mr. Chairman: (Inaudible) if you could bear with us, Mr. Van Horne.

Mr. Van Horne: I will try to be brief. I would hope you would agree that this is an extraordinary situation, but it is an extraordinary time in the life of this province and in the affairs of the people of this province.

I say in all sincerity that I do not think we can do the job as well as it should be done if we operate on anything less than full and complete information before we make recommendations to the House. And in the light of my conviction on that, I would have to submit to you that we have no choice but to use whatever tactic we can to get that information in front of us here. If it is a Speaker's warrant, then that is the route we will have to go.

Hon. F. S. Miller: I understand you do not even need the

warrant. I think the committee has the powers without the warrant.

I do not care what route you use. I assume I will get advice on whether I should just voluntarily come in and say, "Here you are," or whether I should require some documentation to protect myself. That is something a lawyer will have to tell me and I do not intend to (inaudible).

Mr. Van Horne: I appreciate that. It is not a personal or vindictive thing.

Hon. F. S. Miller: No.

Mr. Van Horne: I am wondering if in asking that you--I am sure--will ask the other question and that is if certain pieces of the documentation which are in question as being confidential and for which you could suffer some kind of legal punishment, if that is the right word, whether if that were removed, could the rest of the report be presented? I would like the answer in that too.

Hon. F. S. Miller: First of all, I am not as worried about the legal side as I am about the issue you are trying to probe right now and that is, are all documents that ministers see potentially public?

If one sits in the opposition, I fully understand why you say they must be. If I sit in the position I am in, I would argue that I really need a degree of trust and confidence from the staff point of view to let me function on a one-on-one basis or a basis where I know I am not just hearing a glossed-over version that they will not have to be embarrassed with. I worry about that much more than I do about the legal part. And that is, of course, why you have the long study on the freedom of information to determine what things were properly public and what things were properly not public.

4:20 p.m.

Mr. Van Horne: That is the end of my questions. Thank you.

Mr. Cooke: Just a couple of brief questions. I am kind of concerned that, as I understand it, this report, when it was originally done by your staff, was then sent to consultants in the United States to get their reaction.

Hon. F. S. Miller: I do not know whether that is true or not. In fact, I have asked staff to find that out. What I did say to the Star is that I knew we had, at times, used consultants for information. Let me not correct you; I do not know that you are wrong, but I have never been told it that way.

Mr. Cooke: If it is correct, it is difficult for me, as a member of the Legislature representing people in Ontario and representing a great many auto workers, to say that a report can go out to consultants in another country, to read the report, react to the report, and yet members in the Legislature and auto

workers in this province are not privy to the long term implications of what that report says.

Hon. F. S. Miller: Is that not exactly the position of the lawyer working for clients though? When we did the pulp and paper study, and I was Minister of Natural Resources, there was a mill-by-mill study. We hired engineers who were qualified in analysis of mills. They made a specific report on each mill and that information was given by the companies on the full understanding that mainly their competitors could not see it. You can understand that. And yet engineers were privy to that because we hired them for that specific job.

I will be honest. I felt that kind of engineering detail was not what I was after as a politician. It was what was the state of the industry and the engineering detail could be argued by others. So I did not need it. But I think it was very essential in terms of our overall program.

Mr. Cooke: Just a couple of other things. One, if one of the comments in the report referred to the \$28 million grant to the Ford Motor Company's future in that V-6 plant, I think that we have an obligation, as members of the Legislature, to determine whether or not the investment and the research and work that was done by the governments at both levels was proper and what the future of that plant is.

And lastly, I think there are ways of getting around the confidential documentation that you are talking about, the statistics. There are other committees in this Legislature that have proven they can deal with confidential material in a very responsible way. We could set up a subcommittee in this committee to take a look at the statistics that you are referring to and only the statistics to determine what their thoughts are and whether they agree with your comments that you have made today.

What I am most interested in is the analysis and the guts of the report to find out--

Hon. F. S. Miller: That is what we should be (inaudible)--

Mr. Cooke: --and then, after having an opportunity to read it, I would like to have you back and find out what your recommendations and your solutions are for the problems that are pointed out in this brief. I do not want to get sidetracked, but I am a little bit amazed that if this report has been ready since October that either as of today or as of last week you have not read the report.

Hon. F. S. Miller: For your information, staff at the intermediate level felt it was not worth sending up to me. Don't forget, I had other reports coming up in that same time frame.

Mr. Cooke: I find that--and again I do not want to debate the industry--but as the major industry in this province in the manufacturing sector and the implications of this report, as I see it from the press reports at this point, it is the most

devastating report on the auto industry that I have heard of and if your staff does not think that is important and does not think it is relevant enough for you to read and they have left it for four months, then I do have some questions.

Hon. F. S. Miller: They are talking about this specific piece of paper. I only say to you, because I answered the Star by saying I had heard most of the kinds of things he was talking about, I had seen papers saying most of those kinds of things.

When two or three economists do their own interpretation and then discuss it with each other to decide whether they do or do not wish to send that forward as their point of view, there is a natural staff sifting of what material should or should not be sent up, and that was one that they did not send up.

Mr. Mackenzie: Supplementary: What you saw just within the last day--

Hon. F. S. Miller: All I saw was the very (inaudible)--

Mr. Mackenzie: --was, in effect, a 20-page summary of the report.

Hon. F. S. Miller: I do not know whether it was a summary of that report, but I certainly saw--and let me not get to 20 pages or 25--I had two hours with approximately 10 people where they presented, each in turn, a synopsis of their specialty within the study of the auto industry, highlighting what they considered to be not the short-range problems but the intermediate-range problems of the industry today, the ones you would call structural as opposed to market-oriented.

Mr. Mackenzie: In effect, that was a summary of a very negative report.

Hon. F. S. Miller: It is the summary of a lot of thinking within the ministry, not of a specific report.

Mr. Cooke: Mr. Chairman, I think it is essential that we get this report and get it quickly, and have our discussion with the minister a few days or a day after we have had a chance to digest the report.

Hon. F. S. Miller: I came down today only to tell you that I would be, as you would say, "your obedient servant," but you have to remember that in using a power such as you have discovered or have been using lately you must be very careful--as with all power; I have to be careful with mine--and make sure you do not kill the system by the use of that power.

I have made that case. I suspect when I hear the vote I will have lost that case, but I think it is important that be said. As I said in the Star the other day--or the Globe, I guess it was--I suspect the kind of thing I have committed to writing in the future will not be worth a damn.

Thank you, Mr. Chairman.

Mr. Chairman: Let me just--

Mr. Turner: Hold it.

Hon. F. S. Miller: I thought I was through.

Mr. Chairman: There are some other members of the committee with questions. Let me just go through the list so you know where you are: Mr. Martel, Mr. Mancini, Mr. Turner, Mr. Taylor and Mr. Mackenzie.

Hon. F. S. Miller: Oh, I do not mind. He spoke with such authority, I thought he was all through.

Mr. Martel: Mr. Chairman, I would hope, as the minister has said, that we do not have to use the motion that has been tabled. I would prefer to get the material without that sort of action.

A number of things bother me. Obviously the document is public now, so that someone is sitting on it. If it has been reported extensively in the press, obviously someone has--

Hon. F. S. Miller: There have only been facts reported. I really do not know whether Mr. Daw saw the article or had a long talk with somebody, but whatever route was taken he became familiar with what seems to be the content of at least one document in my ministry. C'est la vie. I am not happy about that. It worries me, but that is beside the point.

Mr. Martel: It worries us too because here we are sitting and attempting to put together a report based on what is considered to be a very serious problem in Ontario and the key sector is being debated in the media. These people are being called upon to make value judgements which will lead to recommendations that must go to the government, and they do not have the background papers which the government is sitting on and which show a potential, at least, for a devastating blow to one of the key sectors of our economy.

That we cannot see the documentation upon which we could make some sensible recommendations seems, in my opinion, to be impossible. I guess what we have to know is the basis for the gloomy outlook; in other words, the working papers that led your staff.

I understand what you are saying. I am not asking for the recommendations they might have made. All I am looking at--

Hon. F. S. Miller: There were none, apparently, in that report.

Mr. Martel: Yes, I understand that, but you used the word "recommendation," I think, in quoting from Carlton Williams's report. I am not interested in the recommendations that are being offered; what we are looking for is an analysis of the industry and where it might well be going, because it adds to the problems already confronting this committee.

The stats, I understand, are a problem. I asked our researcher about the implications and I suspect there might be some. I think most of the committee would agree that if some of it is strictly confidential it cannot be made public. I think most of us accept that. We are not about to hurt the competitive nature of certain industries. I do not think that is what we are after. We are after the analysis, which seems to be pretty devastating.

4:30 p.m.

You have several options open to you, Mr. Minister. You could do what the other committee has done, sit down with a representative from each of the parties and go over what is going to be blocked out, if it is critical. I do not think any of us here would object to that because we respect the nature of the confidentiality. If you are to get the type of written report you want, then you cannot be bandying them about because, as you say, people will not write. But I think we are prepared to assist in ensuring that stuff remains where it is. I do not think any of us wants to disclose stuff that is of a confidential nature.

Therefore, if it takes a day to block stuff out, if you want to do it in conjunction with a subcommittee of this group so that no one will say there are games being played, I am sure we are all prepared to accommodate that. That leaves the analysis that was made.

From that point of view, I would hope--at least, speaking for my own group--that we are prepared to do that so that we would not have to go the route of Speaker's warrants and so on, so that you are protected and so that people who must feel free to write are free to write and suggest the analysis. I do not think any of us want to in any way jeopardize that. Therefore, what we are asking for is the analysis. With somebody with you you can strike out that portion which must remain confidential.

I would hope that my colleagues see that in the same light, thus making your decision somewhat easier because of that guarantee--at least, speaking for myself and for my group--that we would make to you.

I would like to listen to the minister's response.

Hon. F. S. Miller: I think you are taking a very reasonable approach. The fundamental point remains whether verbatim copies of papers prepared for the minister's eyes for policy choices should be automatically given out or whether they should be interpreted to a committee by a minister. I think that is what the Williams report was trying to refer to. I sense you want them in verbatim form.

I cannot help but repeat my feeling that any time the author sees his report go out in that way he is going to be nervous about offering frank and free and good advice to a minister in the future. However, that is beside the point. I think we have debated that at some length. I share with this committee the desire to find solutions.

I would point out one thing. The fact that staff can tell me future conditions can be very bad or, if I recall, as in some of the studies, that they could be this bad or this bad or this bad--in effect, what happens to Chrysler, what happens to American Motors; there are a lot of ifs when you start looking into the future--does not mean that is the way it will be.

If one goes back to the point when people--not necessarily in our ministry but in the automotive world and the economists looking at the industry--said that the down-sizing would occur in the Ford engine plant, that the V-6 engine would be the engine needed and plans were made to go that way, since then they have been shown to be wrong. The market that ran soft for a long period of time for the V-6 may not exist any more. There are even questions about that. That is why I say "may not."

Whether it ends up in trucks remains to be seen. Whether the mid-sized car will remain relatively popular remains to be seen. Most people who are predicting the size of cars four or five years from now are talking about relatively small cars with engines from about 1.3 to 1.9 litres. I think the Ford engine that is being produced now is 3.8 litres, if I am not wrong, and it is probably more suitable for, say, a half-ton truck or a mid-sized car like the X car of GM.

I do not know whether Ford has one of those in its future. I hope the comments we heard about the eventual transition at Oakville imply there is one. Time will tell us whether the public and the marketplace are taking to a 1.6 to 1.9 litre engine for that size car or a 3.8 litre engine.

All I am trying to say is I think the automobile industry and the unions, under Mr. Fraser's very statesmanlike leadership, I would say--I have been very impressed with that gentleman any time I have dealt with him.

Mr. Martel: I will trade you.

Hon. F. S. Miller: It is your job to stand up for him most days of the week. I do not think of myself as a opponent of his, but, I have to tell you, I have been very impressed when I have listened to that gentleman speak with his grasp of the problems in the industry and his willingness to make sure he does his part to see that the jobs of his people are protected.

Mr. Mackenzie: The same thing applies to Mr. White.

Hon. F. S. Miller: Mr. White was with him at the time, but I am only speaking for Mr. Fraser because he did all the talking that day. I was very impressed with his grasp of what we have to do in North America.

What I am trying to say is that one can look at the current, let us say, nonproductive state of the industry and say, yes, we have some old Chrysler plants and, yes, we have some old Ford plants and even some old GM plants, and they will never catch up, just as some people said that about the US steel industry a few years ago. I think it is rejuvenating itself and I think we will

see the automotive industry in the United States rejuvenate itself too.

That was his whole thrust. I agree with him completely when he says that the automotive industry in North America needs some protection for a while against the imports to allow it to get these adjustments through, so that it does not lose first-time buyers to other marques and brands to which they may have loyalty throughout a good part of their life.

Those kinds of things I buy. I recognize the decisions are basically American, with Canada going along if the Americans will do some of these things, and I know they are being lobbied very heavily right now by the UAW and by companies such as Ford to do it.

Let me say no matter how pessimistic the straight-line projections may be, I believe there is more resilience and determination in the industry and the unions than there may appear to be, and I do not think the future is as bad as it may have been painted.

Mr. Mancini: Mr. Chairman, I would just like to say that I think the committee should have an opportunity to look at the report. From the information that has been made available through the media, it appears to have been a very extensive report. It appears to have looked at many different aspects of the auto industry. It appears to have pointed out some possible pitfalls that may occur in the future. As the minister said, there are a lot of ifs there.

I do not think information like that would in any way harm the individuals who have provided that information. We may come to have a lot of respect for the individuals who have provided you with that information.

This committee has been given the mandate to look into plant shutdowns and employee enjustments, and when we read that there is an auto industry report that may conclude that 20 per cent of that industry may face unemployment, I think this committee would not be doing its mandate a service if we just ignored it and said, "Yes, Mr. Minister, we agree with you that this is confidential."

I really do not have the same concern you have, Mr. Minister, about this possibly having an influence on your relationship--

Hon. F. S. Miller: Let me address that point. I have no trouble at all in discussing the estimated job losses, if you want to call them that, and looking at the kinds of suppositions that go into that forward estimate. I think there were about 100,000 people working in the automobile industry in the major companies in Canada--about that--at the peak

Mr. Mackenzie: Seventy-eight.

Hon. F. S. Miller: Yes, but I am taking the peak, before we ran into the current slowdown.

Let us suppose, as one has to suppose in looking at a future model, that unit sales stay about the same. They regain from the current slump. That is one of the up sides. In other words, the market does not get worse.

It is pretty safe to assume that in order to be competitive most of the North American companies will put in more automatic equipment. Secondly, cars will be smaller. Both of those factors have an influence on the number of people working in any given--

Mr. Cooke: Mr. Chairman, on a point of order, I would love to get into a discussion on the long-term viability of the auto industry, but what we are here to discuss now is whether we are going to get the report. Then we will discuss this. But I do not think there is any use--

Hon. F. S. Miller: I was just answering in a hypothetical way how we get to a point where--

Mr. Cooke: I do not think there is any use discussing that until we have seen the report. Then we can make determinations from reading the report and question the viability of the report and the accuracy of it. But I do not want to discuss this item with blinders on. I want to read the report and then I want to have an educated discussion with you about your document and about the future of the auto industry.

4:40 p.m.

Mr. Chairman: Mr. Mancini, have you completed?

Mr. Mancini: I made comments similar to the way other members have made comments and the minister responded to them. I do not see anything wrong with what the minister was saying, he was just taking an opportunity and a moment to respond.

I was not planning to get into a long debate because my comments earlier, before the minister arrived, were along the lines that before I did get into a lengthy discussion with the minister I would have wanted to read the report myself.

If there are any legal problems, Mr. Minister, that this may cause you, I think the committee should work along with you and try to rectify them as best we can. If we have to strike out some of the stats or have a subcommittee view them confidentially, I think I would support something like that. But I think the committee does need the report. If there is going to be a long-term readjustment needed for employees, this is the committee that needs to look at that, because that is part of our mandate, employee adjustment.

That is all, Mr. Chairman.

Mr. Chairman: Just a brief response on my part: I read with interest, as everyone did, the newspaper accounts of this study. I was not only interested, I was slightly amused because even from a casual reading of the newspapers in the last couple of years virtually everybody knows that the North American automobile

industry is going through a major change, some of it cyclical, much of it fundamental.

People in the investment business have known this for many years. We as committee members already have many hundreds of pages devoted to this North American phenomenon. The fact that there was another study prepared by people in your ministry was encouraging, refreshing and clearly we are interested in it because it speaks to the very heart of our mandate.

I wanted to respond earlier to the suggestion of Mr. Martel, and Mr. Mancini has also touched on it too. We very much respect the concern that you and your colleagues in cabinet have with all kinds of material that you request and that you get. We are equally sensitive to the points that you made around the Williams commission.

All we are trying reasonably to see is if we can get the key aspects of that report which are germane to our work and yet respect your concerns and your staff's problems, with the statistical aspects or other information contained in the report deleted or otherwise made unavailable to the committee.

There is a sense of obvious interest and urgency that we attach to the availability of this study. It is not that we don't have other studies, but this is one that has had some press coverage and is obviously topical. I think there is a genuine desire here to achieve both objectives by an arrangement that would respect the confidentiality and let us peruse numbers that speak to the problem that has been a part of our concern.

Mr. Turner: Mr. Chairman, the part that I want to find out about for my own satisfaction is whether this is a report, an all of us understand a report, or a policy option paper.

Hon. F. S. Miller: I'm going to have to read it myself. I have read nearly everything that has ever been sent up to me at least once or twice. This one was not. Therefore I haven't had the option of leaving it in a drawer and saying it does not interest me. You have to have something before you can have read it. I stress that.

Mr. O'Neil: Are you saying, Mr. Minister, that you have not read the complete report, but you have read the summary?

Hon. F. S. Miller: You jumped to a conclusion.

Mr. O'Neil: No, I'm asking.

Hon. F. S. Miller: Somebody before jumped to a few and they said that I had a summary of this report. I have a summary of what my staff thinks about the auto industry given to me this week. Whether it is based on this report, I will know better once I have gone through it, okay?

The summary was simply a series of notes, not a report in any sense. It was to help them in briefing, so that when I looked over it afterwards, I would have points to keep in front of me,

that's all--the kind of thing that was done on a series of pages, item by item.

I'm a person who has never tried to hide information because I find it much easier to share things with people than to keep them worried that you have some secret information. That was not my principle today. My principle today was really more of the confidentiality of the system we work in. That's all I was trying to stress. I don't feel the least embarrassed talking about any of the details in that report that I can legally disclose, just as long as you understand that.

Mr. Turner: From reading what was printed in the newspaper, I think the chairman has made an observation, which all of us would agree with, that there is not much information that has not been presented to this committee before. I think it would be naive for anybody to say otherwise.

Mr. Cooke: There are some aspects, at least from the press reports, that make this report particularly intriguing.

Mr. Turner: Well, perhaps; I won't argue with you. The point is, has this been discussed at cabinet?

Hon. F. S. Miller: No, how could it be discussed at cabinet when I did not get it for--

Mr. Turner: So in actual fact it is a ministerial document that was not considered worthy of your attention, I suppose, from what you are saying.

Hon. F. S. Miller: Not worthy. I think there was enough staff disagreement whether they thought it was an accurate reflection of their feelings that they did not bring it up.

You see, John, I would encourage them to send up anything like that because I argue that I really do not like a lot of editing of points of view. If in fact there is a disagreement in staff on points of view, I would rather have the chance to see those points of view for that very reason, because it stimulates one's thinking about why don't some other people think--

Mr. Cooke: We just want to be stimulated.

Hon. F. S. Miller: I realize that. I will tell you, sometimes I have wondered if it was possible.

Mr. Turner: What I am concerned about is the ripple effect, not only what will be happening in your ministry but in other ministries. People who are producing these kinds of documents for various ministers might very well decide it is not worth the trouble and become somewhat reluctant to give advice to the various ministers. I have some reservations.

Hon. F. S. Miller: I have very real reservations about that, John. Are there any other people who want to address me?

Mr. Chairman: Two more.

Hon. F. S. Miller: Okay. Then I will hold my comments till they are through.

Mr. G. Taylor: Mr. Chairman, I did not want to address the Treasurer at this point but--

Mr. Chairman: Did you want to talk about hockey?

Mr. G. Taylor: Barrie, hockey, anything you want, it would probably have as much bearing as some of the discussions that go on around this table. But I am sure it won't surprise some of my colleagues that I would like at this point, because you did not allow us to speak earlier to the motion that brought Mr. Miller before us. You cut us off and then disappeared for your eight-hour telephone call. I hope it wasn't long distance.

Mr. Chairman: Tyranny is my middle name. I never let you speak.

Mr. G. Taylor: Trinity, it's not.

But anyway, to the particular problem at hand here--and I guess I won't surprise my colleagues--I side very heavily with the Treasurer at this particular point.

You have come with some of the merits, and we have had the discussion twice in this particular session on it--one that ended with the Re-Mor area, which was probably a greater discussion on it than this particular one on Speaker's warrants. I find it, coming from the background of the legal profession, that I would not, as a witness, an individual, a corporation or anybody, want to come before a legislative committee of this Legislature or the House.

I find the individuals are treated impolitely; there are no rules of practice; there is a grandiose sense of unfairness to the witnesses, the individuals; they are seldom qualified as to their qualifications; and if there was ever a forum that I, as an individual in this province, would not want to come before, it is a committee of this Legislature.

Mr. Mackenzie: If there ever was an insult to members of this House, that was it too, Mr. Taylor.

Mr. G. Taylor: It would be an insult to you if you want to accept it so, Mr. Mackenzie. But I can tell you, as to fairness to any witness sitting in that chair, I would not want to be a witness in this House.

Mr. Mackenzie: If we waited for the questions from some of you people for witnesses before this committee, there would be none, especially not from your party.

Mr. Cooke: If you don't like the forum, you can change it in a couple of months.

Mr. G. Taylor: That may be done.

But I tell you as a person who has practised before the courts, it is a very unfair forum. I have heard your colleagues mention many times at other committees about the lack of truthfulness, candour and objectivity that would be contained in written reports if they had to be authored and come before, not this particular forum and this committee, but on many of them.

I side with the Treasurer's position on that. Indeed, it gets down to a point of even a document similar to a solicitor-client document that is being presented and it cannot be compelled to come before any forum.

I do not know who authored this piece of paper, this report, or whatever name it goes under, but what qualifications does that individual have compared to many other qualifications. Every time a document comes in a local newspaper, given forth with no authorship except that of the individual reporters, are we going to call that individual to our forum to explain their position, be it in regard to a positive or in a negative background paper?

4:50 p.m.

We have scores of papers, both in the bibliographies of those who have appeared before us and those who have not. Every author with his opinion, be it a positive or a negative one, has to come before us. If we have to react to every document, every article, every feature of a newspaper, we will never solve the solution that is before us.

The statistics we will quarrel with, on the most minute statistics before this committee, ad infinitum, and you can throw your statistics forth, Elie, and the other will go, and we waste our time on statistics as to whose are correct and more accurate.

Mr. Martel: If you think this is a waste of time then you should resign.

Mr. G. Taylor: It is not a waste of time but you have certainly interjected many waste-of-time questions quarrelling over somebody's accuracy of statistics that do not matter to the problems at hand.

Mr. Cooke: If you want to save time, take the time out right now.

Mr. G. Taylor: And it will not resolve the problem that we have as our task.

Mr. Martel: We should do it without any information.

Mr. G. Taylor: No, you can get plenty of information.

Then we get to the next feature as to whether it should be vocal or whether it should be written. The minute it becomes a written document, it becomes, to your position, one that should be brought before us. But maybe now we start soliciting the vocal opinions of his advisers, whether they should not come forth.

Mr. Martel: That is in the motion.

Mr. G. Taylor: Sure. And this parade of advisers. That is the very fundamental issue of when do we stop--

Mr. Martel: This does not solve anything.

Mr. G. Taylor: --when do we bring advisers before us and when do we bring the minister before us, and he is responsible for his position. It is a fundamental, democratic parliamentary procedure. You gentlemen seem to want to trespass on that, go over and around it at every opportunity. And this Speaker's warrant is another one, a totally abusive process.

Mr. Cooke: Oh, garbage. (Inaudible) we do not.

Mr. Mackenzie Mr. Minister, the request, I think, is a reasonable one. The only area of confidentiality that I can see, and this may be way beyond my expertise, would be in some area of company records and stats that might be in there. But I think that this committee is in a position where it would be a literal and actual joke at this point, certainly it would be negligent, if it did not now ask for the information that is in these reports.

Having received the publicity it has, and because of the mandate of this committee and some of the stories, rumours, observations made at a number of levels, both business and union, concerning exactly where we are going in the automotive industry--I am sure the minister himself is well aware that serious questions have been raised as to the Ford engine plant and the expenditure of the \$68 million; I notice it is referred to in one of the questions asked by reporters.

I know that some of the automobile companies--I think Chrysler is one of them--have seriously raised the question of discontinuing car production altogether in this country in a tradeoff similar to what has happened with Ford. I know that even at General Motors there are serious questions being raised with the tooling that goes on for the small cars that they are to bring out in a year or two, over how many of the several thousand people who are going to go on a short layoff will actually be brought back, because there is a major effort, as I understand it, to further robotize and automate that particular plant.

All of these things are very directly dealt with one way or another in these questions with this committee, the kind of information we need in terms of advance notice, in terms of what kind of protection is there for workers, in terms of what kind of power we have in the decision making processes. We would be absolute fools not to have a look at this information. It is inconceivable that it would not be made available to this committee.

I think most reasonable people would say if there is something in terms of the stats or company records that has to be looked at, then somehow we set up the mechanism to take a look at it. Not to have that kind of information, given the serious questions that are being asked out in the community, the press

reports we have in front of us, the stories or even rumours, unfortunately, that we have about the report and who has taken a look at it, and the kind of summary that you have seen or have not seen up to this point in time, makes it imperative that this committee ask for that report.

I really would hope that it does not take the route of a Speaker's warrant or anything like that; that there is some understanding reached here today that we will get it and get it in a hurry. It is just inconceivable that we would do otherwise.

Hon. F. S. Miller: The principle we are arguing is not are you entitled to know the kinds of things in the future, but whether you are entitled to have a specific piece of paper written by a staff member.

I guess what I interpreted the British system as being was that ministers like myself were accountable to you and the public at large for the actions of the government, and for interpreting and taking the advice of staff or rejecting the advice of staff; but that the staff themselves were not always subject to that scrutiny, except in the process of the estimates, et cetera, where we have a more formalized approach.

Mr. Cooke: But there we do it.

Hon. F. S. Miller: I was arguing principle, today, for any disclosure, not for this report. I haven't any trouble with discussion of the subject matter, and I would be quite prepared to come back and do so. I just felt that our system required me to be responsible to elected people, not civil servants who were free to give advice. I think that is the fundamental difference I was arguing. I have tried to make that point.

Mr. Chairman, I will have to say that as a law abiding person I will do what I must under the law, but if I am told by a counsel that I must resist, I will have to tell you that. If the legal advice is that I must not give something up, if there is no impediment such as that, you will find no trouble.

Mr. Mancini: Are you talking about the statistics?

Hon. F. S. Miller: I will have to ask in general if you do not mind, because I want to get legal advice on this. I will bring forward anything I am allowed to and that you request. Fair enough?

If there comes a point, I would like you at least to listen to the risks at law that I have or even have a lawyer, who could do a better job than I could, explain them, so you would understand what difficulty may be facing me; or I am told even my staff who may have been using that material, because I am told it is not just the minister who can be held accountable under the two acts that exist.

Mr. Williams: When would we be able to have that?

Hon. F. S. Miller: I would be able to have that advice

myself in a couple of days at the most, I would think. How often is your committee sitting?

Mr. Williams: We will be here until Thursday anyhow. Could you come back Thursday?

Mr. Chairman: Tuesday, Wednesday and Thursday.

Mr. Williams: Could you get the advice back to us by Thursday?

Hon. F. S. Miller: I can do my best to do that.

Mr. Williams: I would suggest, Mr. Chairman, that we give the minister that opportunity to assemble the material and report back to us before we take any more specific action. I think we have to be reasonable about it and give the minister himself an opportunity to know what his position should be from a legalistic point of view. It is not unreasonable.

Mr. Cooke: I just want one point clarified. Your concerns about confidentiality and legality, when you originally expressed them, were on statistics only. The report itself, the guts of the report that I referred to and that you indicated was--your only concern with that was the relationship between your staff and a minister.

Hon. F. S. Miller: Yes, that is not a legal issue.

Mr. Cooke: If that is not a legal issue then I think you could make a commitment to this committee to table that information with this committee before we adjourn this Thursday; and the statistical part of it, I understand the problems of legality and we could listen to a response, either through our chairman or through you at the end of this week or the beginning of next week.

Hon. F. S. Miller: Assuming I am not given legal advice to the contrary, I have no trouble with what you are saying, okay?

Mr. Cooke: Well, you indicate you are not concerned about the legality of the guts of the report.

Hon. F. S. Miller: I am not a lawyer. I will wait until I am told what I can do. My understanding is what you are saying is reasonable, all right. It still goes against what I consider a very important principle, but at least I would assume it was legal. I know you have that right so I cannot argue with the legality. After having presented my case I have done my best to dissuade you from asking for a specific report rather than an interpretation of it through me.

Mr. Cooke: I am just concerned about the time it is taking. I am sure you knew these questions were going to come up at this committee.

Hon. F. S. Miller: I did not know that. I did not know

the Star was going to write an article about a report that I had not seen.

Mr. Cooke: The parliamentary assistant this morning indicated he knew some kind of a motion--

Hon. F. S. Miller: Whose parliamentary assistant?

Mr. Cooke: Is Mr. Ramsay not your parliamentary assistant?

Hon. F. S. Miller: No.

Mr. Cooke: Your caucus members knew that some kind of a motion would come forward this morning and your comments in the Star indicated that you assumed someone would try to get a hold of the report.

Hon. F. S. Miller: Last night, while having a drink, Mr. Ramsay said to me, "You may be requested to come before a committee tomorrow." That is about the simple--

Mr. Cooke: I just don't want this to drag on.

5 p.m.

Mr. Williams: Mr. Chairman, could we table the motion before us until Thursday? I would suggest that it would be reasonable, under the circumstances, given the minister's apparent willingness to co-operate to the extent he can, that he know to what extent he can co-operate with us. I think he should be given the opportunity to determine that with his staff people.

Under those circumstances he obviously is acting in good faith with the committee, and we should therefore table the motion before us until such time on Thursday as the minister can come before us to report, and then deal with the motion further at that time based on the information brought to us by the minister.

Mr. Martel: I am really having difficulty, forgive me, interpreting what the minister is really saying to me.

He tells us the stats are what bother him legally.

Hon. F. S. Miller: That's right.

Mr. Martel: Beyond that, legality is out of the question.

Hon. F. S. Miller: No, I didn't say that. I said, assuming what Mr. Cooke said, that there is no other legal problem, I recognize your right to request the rest of the material. That is all I said.

Mr. Martel: Let me go back at it.

The stats we agreed to. The legality was there that indicated that they could not be made public for a variety of reasons. I think we accepted that.

Where I have difficulty is in the body of the report, because that is not of a confidential nature. That's people who have a certain expertise, who in fact looked at the problem, who analysed it from their particular point of view, calling into mind their own expertise; and those are their ideas. There might be more than one who worked on bringing it together.

I have difficulty in accepting the fact that because someone has put something down, for some reason he is going to be pilloried or he is not going to be prepared to be candid about his position later on in another document. Again, we are just calling on their expertise as we have all of the other witnesses. It is opinions of people who have some expertise. We want to discuss their particular position. That isn't to pillory them, that isn't to do anything of that nature; it is to try and understand what the hell it is all about.

I have difficulty understanding why that material cannot be made available. I really do. I also have difficulty in accepting the fact that if we discuss their position paper now, or whatever it is, that somewhere down the road they are going not to be prepared to put down their ideas and their thoughts after having studied a problem.

I would think that the only thing that should be outstanding is that portion which deals with statistics as to whether there is a legality there or not. We have indicated we are prepared to see that portion excluded from what is made public. To me, that is the only real legal thing involved here.

Hon. F. S. Miller: That may be the only one. I guess I think you have lost sight of the traditions of the parliamentary process. The Williams commission, I assume, is made up of a person or persons--I do not know how many people were on it--far more knowledgeable than I about what kinds of material should or should not be made public and access made available.

If they could understand in an impartial study that there was this impediment to the free flow of advice, if, as and when all papers were subject to immediate disclosure, then I would have to argue that a group who have coolly thought about it in a nonpartisan atmosphere have felt that governments were best served by a degree of protection for advisory documents.

That is all I was making my point about. I just do not find any embarrassment about the detail; I think the principle is a very important one.

Mr. Martel: I think we accept that, Mr. Minister, except when you have mandated, as the Legislature has, a committee to look at what is probably the most critical problem facing the province right now, if we are to look at it in all the ramifications, we have to call on the expertise of other people out there, because it certainly is not embodied in these 11 members; and so we have to know--

Mr. Mancini: Mr. Chairman, on a point of order, are we not covering old ground that has already been debated by the

minister and a couple of other members? We have a disagreement with--

Mr. Martel: I am trying to avoid having to make a motion, Mr. Mancini. I am trying to rationalize with the minister why it would be important.

Hon. F. S. Miller: I was trying to explain as unemotionally as I could.

Mr. Williams: All we are trying to determine is if it is reasonable to wait until Thursday and let the minister respond.

Mr. Chairman: Mr. Ramsay is next on the list. I might just point out in passing that Mr. John Eichmanis, a member of our committee staff, was a staff member of the Williams commission.

Mr. Ramsay: I just wanted to make one very short observation.

It seems to me that the minister is making a very simple request. He has not read the document yet. He is asking for time to read it, he is asking for time to have legal counsel on it; and then he will get back to us with his decision in a very short period of time. At that time we can make a decision as to whether we ask for a Speaker's warrant or not.

It is two days to let him read it and let him get legal counsel on it. I do not really think that is an unfair or unreasonable request at all.

Hon. F. S. Miller: I would ask that you let me do that. If you ask to procure it today I would still have to get legal advise, so we would be hung up anyway. If we do it voluntarily I will be back before you and we may have nothing to fight about.

Mr. Chairman: It seems reasonable. Mr. Miller, we would hear from you, then, by Thursday.

Hon. F. S. Miller: Assuming the committee permits that.

Mr. Williams: I move we table the motion.

Mr. Chairman: Is that agreed?

Hon. F. S. Miller: I do not know what time--you sit from when to when?

Mr. Chairman: Ten to 4:30.

Mr. Mackenzie: Mr. Chairman, two things; one, that we have now asked twice, although in a relatively short period of time, for this; we are now asking a third time and being asked to wait two days again before we get a response. The minister can say--that is what we have done in this committee already.

The second thing is we have one more week of hearings, unless you want to add to that period of time, before we are

scheduled to start writing the report, I would draw that to your attention as well.

If we had some guarantee we were getting the material I would be inclined to take the chance on the two days, but I want the committee to realize exactly what they are doing.

Hon. F. S. Miller: I want to point out to you that I am voluntary witness here today making my point of view known; no one forced me to come, no one invited me to come.

Mr. Mackenzie: As a matter of fact the chairman exceeded authority. All we wanted was an answer as to whether you were going to give us the document.

Mr. Williams: We have the motion to table; that is not debatable, I do not think.

Mr. Chairman: Mr. Martel, it is your motion. Is it agreed that we stand it down? I think we have had ample discussion about this.

Motion agreed to.

Mr. Mackenzie: Until Thursday.

Mr. Van Horne: Mr. Chairman, we have already scheduled other people. I would be quite prepared to come in a half hour or an hour earlier on Thursday morning if we want to start the day off that way.

Hon. F. S. Miller: Let me check with the chairman then. I do not have the foggiest idea what my timetable on Thursday is.

Mr. Chairman: Thanks, if there is no further business, we are adjourned until 10 o'clock tomorrow morning.

The committee adjourned at 5:08 p.m.



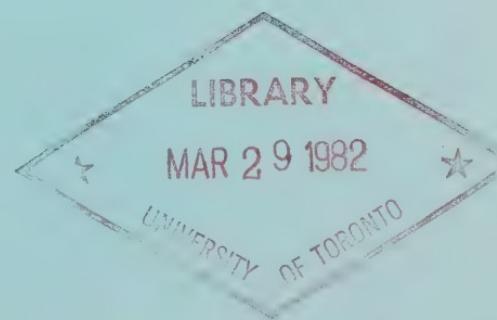
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PS-15 & 16 (1981)

SELECT COMMITTEE ON PLANT SHUTDOWNS
AND EMPLOYEE ADJUSTMENT

CANADIAN FEDERATION OF INDEPENDENT BUSINESS
DISCUSSION OF OUTLINE OF FINAL REPORT

WEDNESDAY, JANUARY 21, 1981



SELECT COMMITTEE ON PLANT SHUTDOWNS AND EMPLOYEE
ADJUSTMENT

CHAIRMAN: McCaffrey, B. (Armourdale PC)
VICE-CHAIRMAN: O'Neil, H. (Quinte L)
Cooke, D. (Windsor-Riverside NDP)
Cureatz, S. (Durham East PC)
Mackenzie, R. (Hamilton East NDP)
Mancini, R. (Essex South L)
Ramsay, R.H. (Sault Ste. Marie PC)
Taylor, G. (Simcoe Centre PC)
Turner, J. (Peterborough PC)
Van Horne, R. (London North L)
Williams, J. (Oriole PC)

Clerk: White, G.

Researchers:

Eichmanis, J.
Jennings, R.F.

Morning sitting:

Witnesses:

From the Canadian Federation of Independent Business:
Gray, B.G., Director, Provincial Affairs
Wietfeldt, R., Director, Research

LEGISLATURE OF ONTARIO

SELECT COMMITTEE ON PLANT SHUTDOWNS AND EMPLOYEE ADJUSTMENT

WEDNESDAY, JANUARY 21, 1981

The committee met at 10:18 a.m. in committee room No. 1.

CANADIAN FEDERATION OF INDEPENDENT BUSINESS

Mr. Chairman: I will call the committee to order.

Mr. Martel: On a point of order: I was mesmerized yesterday by some of the comments made by the Treasurer (Mr. F. S. Miller), to say the least, on whether or not the whole of the Williams report was, in fact, to preclude members of this--to prevent governments from having to release the information.

Mr. Mackenzie: An unkind person might say you were had, Elie.

Mr. Martel: Yes. Maybe I have been had. I did a little checking last night, not a lot. My gut feeling is we have been had. I do not think that what the Treasurer told us yesterday, in fact, was what Carlton Williams wrote in his report, or the tenor of what the report was all about.

Because there is a member of our staff who served on that committee, I would like a response prepared for the members of the committee by staff as to what the intent of the Williams report was, the salient parts of the report which dealt with government documents. If my memory serves me correctly, the whole argument was to obtain more easily in Canada information which hitherto has been prevented from being seen by the members of the Legislature or the public.

As you know, Mr. Chairman, there is not only the Williams report, but your colleagues federally were moving towards a bill at the time of their demise about a year ago. I think that we have to get an interpretation based on what is in the report and stack up against what the Treasurer told us yesterday.

10:20 a.m.

Mr. Chairman: Are there any other comments on the point of order?

Mr. Mackenzie: Yes, Mr. Chairman. You will recall that I made very clear my feelings yesterday in the few comments I made, that there was nothing in that report, certainly the main report, a report prepared in that manner, that could be construed as being confidential, with the possible exception of any company figures that might be in there.

I do not know what papers, as a result of that, have been prepared for the minister or what options he has or has not been given to act on, but the 129 or 149-page report, which I do believe has gone to an American auto consultant as well to take a

look at, was certainly not one that could classed, in my opinion, as confidential. I think we were getting a pile of horse manure here yesterday.

Mr. Chairman: There was an interesting discussion and it is an important point, but the only question, Elie, and it is an important one, is a time question in part, and to get the staff at this juncture to write a written response to this--

Mr. Martel: If you do not want it written--

Mr. Chairman: Let me finish.

Mr. Martel: --then verbally.

Mr. Chairman: Yes. That might be just a touch unfair at this stage of the game; but stop me if I am wrong.

The Treasurer is, by tomorrow, after legal advice, et cetera, going to report back to us with all or some or none of 129-page report, as I understand it. Whether the response and the advice that he gets from those legal people is going to be written and available to us, or just expressed verbally, I do not know.

Could we not, at that time tomorrow, see what the hell the result of this discussion he is going to have with his people is all about, and at that stage of the game, discuss the aspects?

Mr. Martel: This is a different issue. The Treasurer came to us and he quoted from Williams in an attempt to indicate to the committee the reports that were internal working documents were really not for the eyes of other people. I am not sure if that is the tenor of the Williams report. I suspect it is not, and so we are dealing in a vastly different ball game, what we are talking about.

What the whole purpose and the brief summary of what was recommended by Williams with respect to obtaining documents which the government always, not once in a while, always feels is only their prerogative--I am not going to talk about polls; I am talking about documentation which is prepared by civil servants, which for too long have been-- The whole argument, in all my 13 years, has been: "We cannot ever show any of that material. It is confidential."

I think we had better find out; I personally want to find out what Williams is recommending and if, in fact, he is saying what the minister told us yesterday, or if he is saying what I believe he was attempting to do, and that was to make information that was not of a definitely classified nature available to members of the Legislature. I think I have to know that and I do not care what the Treasurer says tomorrow. That is a totally different issue. But I want to know if I was had yesterday in the interpretation that the Treasurer put on the Williams report.

Mr. Cureatz: The difficulty I have is, as you indicated, it is a totally separate issue. We are trying to take a look at

the immediate problems of this committee, and you are trying to take a whole different investigation--

Mr. Martel: No.

Mr. Cureatz: Sure you are. That is what you are attempting to do.

Mr. Martel: I am not taking any investigation at all. The Treasurer came here yesterday to make a statement.

Mr. Cureatz: You want to take a look at a specific interpretation of some Williams report. My understanding was yesterday the Treasurer, by whatever capable means, was going to secure in terms of revealing those documents that everyone seems to think will have some input with regard to plant shutdowns in the auto industry--that is what I am centring on. I do not think this committee should be obligated to start looking into the Williams report, getting reports from a staff member, or whatever.

Mr. Martel: That has nothing to do with it. The Treasurer came here yesterday and he hid behind the Williams report as one of the reasons he could not give the material and he quoted the Williams report. I have to know if that is factual or if, in fact, he hid behind a small portion of something that was totally unrelated. And I am not prepared--

Mr. Cureatz: How does this have to do with the bounds of this committee?

Mr. Martel: Our committee is investigating because of the documentation (inaudible)

Mr. Cureatz: I do not see it. I do not see (inaudible)

Mr. Martel: Because we are, in fact, being denied the access to reports.

Mr. Cureatz: Nonsense.

Mr. Martel: We are told that report is unavailable because of what Williams said in his report.

Mr. Chairman: Still on the point of order, Mr. Mackenzie. And let us try to keep this brief, please.

Mr. Mackenzie: We are on our third request. We are going to have the minister in here and admittedly, if he turns over the information to us, and I will be surprised if he does, but if he does turn it over to us, it probably answers the question that is being raised.

It does not make it any less because then we are going to go through the argument over the confidentiality of it, and I would like to know that before we have him here so that we can deal with both issues at once on Thursday if his answer is no. Otherwise we are into probably another day's delay until we get more interpretations of what the Williams report said. And my

information also, and my feeling--and it was my feeling yesterday--is that report can in no way be confidential. I am not as sure about the summary which may recommend policy alternatives.

Mr. Mancini: I recognized, and I am sure many of the members recognized very early on yesterday, that the minister used only part of that report dealing with the confidential information, and he used the part that would serve him the best. Anyone could have seen that immediately.

I thought we had made a decision that we would give the minister until Thursday to come up with the information that we had requested. He realizes that we are prepared to go the route of the Speaker's warrant. If the minister does not give us the information that we have requested, then we have already made a decision: we will go the route of the Speaker's warrant.

We also made another decision. If there was any legal complication, if there was any problem with revealing some statistics that the minister felt we should be very cautious about, we talked about appointing some kind of subcommittee to review that matter.

Frankly, I may have missed something of the point that Mr. Martel or Mr. Mackenzie is trying to make, but we made a clear decision yesterday that we want an answer by Thursday or we are prepared to go the route of the Speaker's warrant. I think that still stands.

Mr. Martel: Yes, but I am not talking about that. What I am talking about is that the Treasurer came here and indicated to us, and he used the Williams report to substantiate--

Mr. Mancini: He used a small portion to serve his interests best. We all do that.

Mr. Martel: Sure, but I want to know if what Williams recommended was more freedom to obtain this material or, in fact, whether we were being snowed by a section. And all I want is an interpretation because there is a member of our staff who was on the Carlton Williams commission who could quickly draw for us a summary and an interpretation of what materials were or should be available to members of the Legislature. I am tired of the smokescreen being played.

Mr. Mancini: Frankly, I understand that the Williams report is at least two volumes and it is an inch and a half thick at least. So I am almost sure that the minister used a portion which would be the most self-serving, and frankly I do not care if he used that particular portion of the report. We made a decision that we want the information on the auto industry, we are trying to be reasonable about the matter and we are prepared to go the route of the Speaker's warrant.

So frankly, I could not care about this confidential report on freedom of information, et cetera, what we should do or should not do. I firmly believe that he used a portion of that report for his own purposes.

Mr. Mackenzie: We either prepare now or we will spend another whole day arguing this very point again after he says no to us on Thursday.

Mr. Chairman: Mr. Mackenzie, if I may briefly respond to that, that is obviously a possibility. The other possibility is that we will have the 129 pages, or most of them, tomorrow and the Treasurer, in which case, the whole discussion will perhaps not be as necessary.

I am just afraid that we are going to spend too much time on this point. There is nothing that we could do today, Elie, as I see it, that we could not do tomorrow.

Mr. Martel: No, but he could prepare a statement for us. That is all I am asking.

Mr. Chairman: Yes.

Mr. Martel: I am not asking for a lot.

Mr. Chairman: Of course he could. John has got a lot of things to do. We are crazy not to take advantage of his experience on the--

Mr. Martel: That is all I am asking.

Mr. Chairman: Right. John, are you prepared to do that? Does it make sense to you to begin it now, or do you want to wait until you--

Mr. Mancini: I think he should be instructed by the whole committee, Mr. Chairman.

Mr. Eichmanis: I have done some of it already, so I can probably have it by this afternoon.

Mr. Chairman: Would it make sense, though, to wait a day to see what, in fact, the decision is going to be?

Mr. Eichmanis: I am certainly going to take out the relevant sections in the report so that the members can read for themselves.

Mr. Turner: Who is going to do the interpreting?

10:30 a.m.

Mr. Eichmanis: You can ask me.

Mr. Turner: Why should I have more confidence in your interpretation than in anybody else's interpretation?

Mr. Eichmanis: You should not.

Mr. Turner: It is just going to cloud the whole issue.

Mr. Mackenzie: Once the relevant sections are out you

can ask somebody else too, can you not?

Mr. Turner: Like who?

Mr. Martel: Alan Pope.

Mr. Van Horne: Mr. Chairman, I do not think there is a need for this. We have the tools at our disposal if we do not get a favourable interpretation or response from the minister tomorrow, and I do not see the need for what is being requested.

In addition to that, whether or not the Williams report has any bearing on this, I do not think the report is law. It too is an opinion. Let us get on with our task for today.

Mr. Chairman: Mr. Martel, we have spent a lot of time on the point of order. It has been well made, it is not dying, but can we move on?

Mr. Martel: John Eichmanis has indicated he can prepare it. If I want it, I can get it from him.

Mr. Mancini: I do not think one member of the committee can start instructing staff that he should be preparing reports, Mr. Chairman. I have several reports John could do for me if that is the case.

Mr. Chairman: I do not want to put John in an awkward spot. Because of his experience as a staff person with the Williams commission, John could Xerox what would be useful, the relevant parts of it, for us, I think, without too much strain.

Mr. Mancini: We heard the self-serving parts the minister used yesterday. I do not think there is any need to have them repeated to us.

Mr. Mackenzie: Would you not like the other parts?

Mr. Mancini: We are prepared to obtain the information we want by using the Speaker's warrant if that is necessary. We do not need to go into some other report written by some other individual on confidentiality of information. We have already made the initial decision that we are prepared to go the total distance to get the information we want.

Mr. Mackenzie: The staff are ready to give us information that is useful to the committee. Are you telling us that you want to deny it because you did not ask for it? Is that exactly what you are telling us now? I want to know.

Interjections.

Mr. Mancini: You can bark as loud as you want, Mr. Mackenzie. You can bark as loud as you want over there.

Mr. Mackenzie: It is nice to know what you are doing, that is all.

Mr. Chairman: Mr. Martel, I think we have explored your point of order. Are you happy?

Mr. Martel: I will talk to staff, Mr. Chairman. Thank you.

Mr. Chairman: Thank you very much.

Mr. Van Horne: Now you know what a zoo-keeper feels like.

Mr. Chairman: That's right.

This afternoon we have good news and bad news. The bad news is the Atikokan people are not going to appear, which gives us a free afternoon. The potential good aspect of that is that if we use the time to go over the draft report prepared by staff and handed out yesterday, all of us, if we have it with us at two o'clock, that would be an effective afternoon. There are a couple of other loose-end motions that may be made following yesterday's testimony.

Can we agree that at two o'clock we will come back here and address our attention initially to the draft outline prepared by the staff of our final report?

Agreed.

Mr. O'Neil: Mr. Chairman, I have one other suggestion for tomorrow--and I know it has been raised by some of the other members on the committee--and that is, you have scheduled two groups for tomorrow morning, the chamber of commerce and the federation, and I really think we are going to be short of time tomorrow morning.

I wonder if we could possibly have the groups come earlier and start at nine o'clock rather than 10.

Mr. Chairman: This is a problem we have been aware of for two or three weeks. Mr. White has already informed the OFL that in all likelihood they will continue after lunch. The second group, the machinists group, is aware of that. That does not answer your question exactly.

Mr. O'Neil: Why do we not start at nine o'clock?

Mr. Chairman: Subject to hearing back from the clerk, we will attempt to get the chamber people here at nine or 9:30. Is there any other business before we begin?

We have only the one group before us for the whole of this morning, the Canadian Federation of Independent Business, represented by Brien Gray, the director of provincial affairs, and one of his colleagues.

Are you both coming up together? Would you and Mr. Wietfeldt come forward then, please?

I think you have been through this business of making

submissions to committees before. We have the written report. Would you just introduce yourselves for the record, please, and begin? As you appreciate, we are anxious that there be ample time for questions after you have made the formal part of the presentation.

Mr. Gray: My name is Brien Gray and, to introduce myself to the committee, I am the director of provincial affairs with the Canadian Federation of Independent Business. With me is Mr. Richard Wielfeldt, who is our research director at the federation.

If I might discuss just off the top how I might approach today's discussion, I thought that perhaps I could go through the submission, not word for word, but, where appropriate, read the text and, where not, summarize. If that is amenable to the committee, I think perhaps that is one way of refreshing people's memory as to where we are at and points for discussion.

Mr. Chairman: It makes sense.

Mr. Gray: Thank you. You will note that from the very outset we tried to describe our membership in the province. We represent 57,000 small and medium-sized enterprises, Canadian independently-owned enterprises throughout Canada, of which slightly over 25,000 are here in the province of Ontario.

The sectoral and size breakout of our membership reflects in large measure the provincial autonomy in that group. We have provided statistics to indicate, in the manufacturing sector particularly, how we break out by size. We have made the case that, because of our representation of employers having both above and below 50 employees we feel that we have quite a stake in this discussion here.

We make the point as well that we feel that you must consider pretty carefully whether you are going to implement policy decisions that will affect the broad range of firms, when at least 95 per cent of the business community, if not more, are good employers who have been responsible in terms of layoffs and terminations and who are trying to carry their operations towards a healthy provincial economy.

I think the point should be kept in mind that a broad brush approach is not necessarily appropriate. That is not to minimize the importance of what is going on in the province; it is just to try to let you know that there are people out there who are good employers and we have to worry about some of the implications of potential action.

On page two we talk a little about the provincial economy and what really has led to where we are at. I do not think most of that information is news to you. Interest rates and GATT are going to further exacerbate a lot of what is going on.

We go on to note that to some extent Ontario has brought these woes upon herself, aided by federal governments, and we feel that there has been too much reliance on mature branch plant production and it has cost the province and the nation dearly.

Decades-long neglect of the Canadian-owned independent sector has its price. The failure to shift emphasis to innovative, independent Canadian firms, to capture domestic markets before we worry about foreign ones, has had its costs. Social costs have risen in direct proportion to the erosion of the competitive position of Canadian firms.

Reading the committee testimony and discussion, one gets the distinct impression that the committee is looking for a villain, a villain who can be forced to pay the price of his own malfeasance. Members must ask themselves: Which corporation is responsible for high interest rates? Whose fault is foreign ownership? Who is forcing structural change on the Ontario economy? Who is responsible for the saturation of the Ontario market by imports? Whose fault is poor management of a business and how do you force the individual to pay?

This business of assigning fault for layoffs and shutdowns is a fruitless exercise. The great majority of businessmen in this province do care about their workers and do support social legislation intended to improve the quality and opportunities of work life for their employees. They are also extremely community-minded and often leaders in community programs in their towns.

No employer would support the insensitive and stupid acts of a few companies in the manner in which they closed down their operations. Nevertheless, there are situations where closures cannot be avoided, where they are based on honest considerations. The effects of plant shutdowns are not limited to workers who are let go. There are an enormous number of suppliers to the closing firm and purchasers of their products that are affected as well. Recent statistics that the federation has gathered on receiverships indicate that for each insolvency, approximately 30 enterprises are adversely affected.

10:40 a.m.

We submit that it is not possible to design general legislation which will catch the "culprits" and leave the "innocents" untouched. Contrary to popular imagination, the "innocents" can be large as well as small. Further, what good are additional costs imposed on Chrysler or Masscy if the net result is to put all their employees out of work? What does it achieve to force a firm into bankruptcy if some could be saved?

The only system which is viable, when a case by case approach is inappropriate because of unwieldy numbers, is a no-fault one. Employees have a safety net and it is as the name implies, insurance against unemployment; that is, unemployment insurance.

The impulse for further employee protections originates with the concept of a so-called proprietary right to a job. Because of the seriousness of this new concept, we address it in some detail. I thought perhaps it would be of importance to go through this in detail.

Contractual obligations: To what has an employee a proprietary right? If the employer undertakes to provide a pension, he makes a contract to transfer some property to the employee as well as to put into trust regular forced savings of the employee. The property so created for the employee is defined by certain rules but within that prescription the employee may be said to have a proprietary right. The notion of a proprietary right is often stretched much further, however.

A worker in a permanent full-time job is dependent for his income and livelihood on his continuing employment. This dependency may create obligations on the part of the employer, whether or not those obligations are recognized by contract or by statute. To some extent, current notice provisions recognize both the dependency and the concurrent responsibility. Further, this dependency of workers on their jobs entails consideration of employees' welfare in the decision as to whether the employment is to be continued.

The dependency, of course, will be greater where fewer alternatives for employment present themselves. This points to the greater responsibility borne by business establishments which are large with respect to their locale.

The same could be said for large business in general. Specialized, large employers with high market share which close their doors may eliminate most Canadian jobs in that field. Dependency is, in this case, much greater.

Termination of such establishments not only affects more employees and affects them more because that termination itself represents a larger share of employment opportunity in that field, but it also assumes more significance for the whole community. Other, local firms are drastically affected by the cessation of the large plant, and the one decision and action can curtail and threaten the life of the community itself. The responsibility of the large plant, based on the dependency upon it, is multiplied by more than just the greater size.

The degree of dependency of an employee is generally greater with longer job tenure. A recently engaged employee has recently had other alternatives, and so his stake in termination, and hence his rights to advance notice, would generally be less than the long-standing employee's. Dependency therefore creates certain obligations.

Another facet of the employee-employer relationship is the claim of long-term employees to a just share of the surplus wealth generated by their work. To the extent that total compensation--wages plus other benefits--has not distributed a fair share of profits to employees, then, and to that extent, a claim upon forced termination could be justified. The claim, again, would be greater for employee with long tenure.

We have discussed several elements of the employer-employee relationship which creates some claims for terminated employees. Designing institutional or legislative means to weigh fairly and satisfy such claims will be very difficult. Certainly contractual

pension obligations are beyond dispute. Advance notice of termination to employees is justifiable on the grounds of dependency.

Ontario and four other provinces, as well as the federal government, have responded with legal requirements in this area. But the claim for a proprietary right to accumulated wealth of the corporate establishment is another matter. This would require measuring the fairness of returns to all parties in the enterprise--investors, management and workers--and then, in the event of accumulated surplus, determining an even division of it. The great odds against any legislated formula ever effecting such a division in even one case are overwhelming.

It seems clear that any right to property must be based either on explicit contractual agreement or upon some identifiable and quantifiable claim to actual assets. On the other hand, if termination allowances are to be considered a form of social welfare, then they should be clearly distinguished both from a proprietary right and a corresponding corporate responsibility.

The corporation can no more guarantee every worker a job than can society guarantee every entrepreneur success. If in theory there is limited proprietary right to a job or pay in lieu of a job, is there another rationale for extension of present protection? Let us examine the current provisions.

On page eight we pose a variety of questions. One has to do with the intent of provisions that are currently in place, whether they are sufficient, what other protections exist right now. Then we get into trying to address some of the costs implied by various proposals, then overall cost the economy in general. I think that is probably all I want to say about page eight.

Page nine gives you a little bit of comparative information with other jurisdictions in Canada. I think it is interesting to note the experience in Saskatchewan which has just introduced new termination provisions which still don't come near Ontario's.

Because of the currency of the debate in the province and throughout Canada, for that matter, these plant closures are not limited to this jurisdiction, although they are felt more strongly here. To try and survey our membership through our newsletter mandate on the question of extending present period of notice to employees in cases of termination, we put the question to them, as follows. "Are you for or against legislation to extend the present period of notice employers must give their employees in cases of termination?"

The results were 11 per cent for, 84 per cent against and five per cent no opinion. Just by way of information, I think it is fair to say that generally speaking our returns on mandate questionnaires are in the neighbourhood of 20 per cent to 25 per cent. So if you extrapolate for Ontario where we have 25,000 members, you can expect that that is a return of anywhere from 5,000 up. I think probably in Ontario, given the immediacy of the problem, that the return was much higher than that, although I cannot give you exact figures on that.

There are further concerns of the small business employer in Ontario. Dr. Elgie referred in his testimony to the existence in six Canadian jurisdictions of the requirement that employees give notice to their employers of their plans to terminate employment. It must be noted that in each of the other jurisdictions, notice is required to be given by employees in every instance before they terminate their employment. In Ontario, it is only in cases where employees have received notice of mass termination of employment that they are required to give written notice to their employer if they wish to leave before the mass notice expires.

It is not surprising, therefore, that our members recently voted 73 per cent in favour of provisions requiring employees to give the same notice of termination required of employers. The question was put to our membership in the November mandate in 1980 and the results were 73 per cent for notice provisions required of employees, 22 per cent against and five per cent no opinion. Again I would suggest that the return results were much the same as I have compiled in the December mandate.

By way of information, it should be interesting to note the experience of Manitoba in this area. Between November 1, 1978 and October 31, 1979, there were 770 claims filed by employers under section 35, notice of termination, of the Manitoba Employment Standards Act and over \$95,000 was returned to employers by either the employment standards branch or the Manitoba labour board. The significance of the standard can be appreciated when one considers that the total amount collected by the Manitoba employment standards branch for all standards totalled just over \$500,000 for the same period.

In this connection the question of equity was raised in the comments of one of our members, this one from Sault Ste. Marie: "I believe that the labour act is not equitable in that when laying off an employee, dismissing an employee, et cetera, business is governed, has to give proper notice, pay in lieu, et cetera. I believe this to be fair. However, an employee can, if he wishes, walk out with no notice. The committee must be cognizant of the lack of symmetry in the present system which would be exaggerated by any extension of termination provisions for employees only."

Then I went on to talk a little bit about the apparent contradiction of some of the minister's comments in the House saying that he wants a full input from all parties concerned. Again to reiterate where we are coming from, we represent most of the employers in the province, yet he pre-empts that whole discussion, particularly the severance pay part of it, by saying that they are going to proceed with it willy-nilly. I think the point being made in that paragraph is the apparent contradiction of the statement, an ironic contradiction at best.

10:50 a.m.

The minister's statement was totally inappropriate and insulting to all those who have not had the opportunity to present their views on this crucial issue. He has taken the issue out of debate. The question is no longer severance pay or not and then

the associated technical problems, but rather severance pay, how much?

Then we go on again to talk about the comparative analysis where severance pay exists or may not exist. The point was made there that the federal government was the only jurisdiction that had it. When you take their severance pay provisions along with their termination entitlements, essentially they are not that much out of whack with Ontario's. You will have noticed in the Globe and Mail yesterday morning that much of those provisions have been beefed up--I would like to talk to some of those points later on--so the comparison is not quite as accurate as it was when this thing was written.

I go on to talk about many of the other provisions that currently exist to help the adjustment of displaced workers. We talked about notice of termination and unemployment insurance, the adjustment committees and so on.

We go on to talk a little bit about the difficulty that small employers have in finding competent help. It is a very odd situation.

We have an economy where we have enormous numbers of unemployed workers, many of whom have skills, but on the other hand we have an enormous number of our members who cannot find competent help. I think it speaks very poorly of our training programs and a number of other factors in the situation. I think the net losers are the employees and small employers combined. I thought this type of point should be raised. Although there are a lot more people coming on to the market with skills, the situation doesn't seem to be helped whether the economy is healthy or unhealthy.

Then we try to raise a typical example of a typical case. I am talking about marginal costs associated with some of the proposals that have been put forward both in the area of severance pay and notice of termination. I must state that this is simply as an exemplary type of situation, trying to give you an idea of how marginal costs could be affected by some of the proposals. I think if you choose yourselves to apply sensitivity analyses to these, you can change the numbers, you can change the periods or whatever, but I think that the principle is still there, that you have to look to how it affects cash flows; the marginal differences affect cash flows.

To make our concerns with respect to the costs associated with both notice of severance more concrete, we offer you the following example.

The enterprise is a Canadian-owned, medium-sized manufacturer employing 131 people on three rotations. The company has three product lines. The gross sales of the firm are \$1.2 million. Of the 131 employees, 50 are located at head office and are associated with the production of printed circuit boards.

The company has two branch locations, one of which employs 50 people in smoke-detector assembly and the other employing 31

people in TV converters. Both the smoke-detector division and the TV converter division are under tremendous cost-price pressure from the other domestic producers and imports. The custom-printed circuit board unit is showing a reasonable profitability, but requires continued upgrading. The company decides it can save the TV converter line if it gets rid of the smoke-detector business, which is a cash flow drain. It is under pressure from the bank to clean up the operation.

We talked a little bit here about sales. I might note that although those sales look pretty low compared to the number of employees, it is simply by way of example. You could gross those numbers up to appropriate sales for appropriate numbers of employees. We just use a little bit by way of example.

The sales of the firm continue in rapid deterioration by \$5,000 a month under the detectors. The costs continue to rise as the most employable workers decide to leave the operation. The decision is made that the plug must be pulled and the assets liquidated.

Then we try to go through a couple of scenarios, one with the current notice provisions and how the negative cash flow, the marginal impact, would be a drain of \$50,000. Then in the second example with an assumption of one week of notice for each year of service, which I believe is the recommendation in the interim report, plus adding four weeks for notice of termination, the number is beefed up to \$207,000.

Case two creates a further forced liquidation of the breakeven converter line in order to generate cash for the now threatened enterprise. The result, 30 more people laid off. The net cash position of the remaining business is still in the red. We leave to the committee's imagination whether or not head office remains viable; how patient will the bank be; how strong is the equity position of the company; is there an outstanding mortgage on the assets of the company?

The committee is giving consideration to three things: dropping notice of provisions below 50 people, increasing length of notice, and adding severance pay. The example we have given shows the important financial effect of current notice provisions and reveals a dramatic deterioration in financial position with the added burden of proposed longer notice plus severance provisions. Those added provisions, we hypothesize, can force the elimination of a further 31 jobs. Furthermore, they can throw the entire business, even the profitable printed circuit board division, with an additional 50 jobs, into jeopardy.

This example is based on a company which is, relative to the rest of the small business population, mature. It has been around for some time and has had an established market and banking relationship. Extending current or enriched notice and severance provisions to companies younger than this, smaller than this, could put companies into bankruptcy when reorganization could save them.

In this sense then, there is really very little separation

of interest between the small company and its employees. The majority of employees are served by a policy which permits maximum corporate flexibility with respect to reorganization of the company's affairs.

Then we go on to talking about other considerations associated with cost. And one that is very real and at a time when the economy is in a downturn, at a time quite apart from economic considerations that small firms need all the managerial assistance they can get to remain competitive with the oncoming of reduction of tariffs and GATT negotiations, I think that small firms really do need managerial assistance.

I think you have got to keep in mind that if you extend some of the termination requirements, that it may very well have a negative effect on people willing to serve on board of directors to help with the management of some of these small firms, because they become responsible for wages in the event of shutdown or bankruptcy.

Then we go on to talk a little bit about Dr. Elgie's comments that in Europe they are beginning to worry about discrepancies between competing jurisdictions within the community on these kinds of notice or termination provisions. And we sort of in summary say, in reviewing the economic impact of more generous termination or severance provisions one must also determine what the economy can afford.

The record of the Ontario and Canadian economies over the past several years does not justify increased social costs. We cannot continue to take on financial obligations for which we are incapable of paying. Our federal and international deficit should be sufficient reminder of that.

The view of the federation is that the present termination provisions--particularly with the amendments introduced by Dr. Elgie in Bill 191--are adequate for the vast majority of termination situations. Naturally, there are extraordinary situations that require extraordinary attention. It is for this reason that the employment adjustment committees and more recently established regional interministerial field task teams have been set up. Any further increase in the costs to employers of job protection provisions are not affordable either in terms of what the provincial economy can afford or the potential loss of additional jobs. What then can we do?

We go into a number of areas where we think that things can be done. And I guess the main thrust of what we are saying here is that throwing more money at a lot of these problems is not necessarily the answer to them. I think that we have to worry about creating jobs in this province and maintaining jobs of viable operations; strengthening the positions of those firms so those jobs can be maintained, or perhaps more added on.

We are in a situation right now where we don't need any more disincentives to growth oriented or start-up firms that are the ones that are creating well over 60 per cent of the jobs in this province. Smaller firms, innovative, starting-up firms,

growth-oriented firms, mostly Canadian firms, are creating jobs in this province. So any further disincentive to that process, I think, has to be weighed very, very carefully.

11 a.m.

We go on, in the first part of this scenario, to talk about insolvencies. And we discuss a little bit a very significant study we have done on bankruptcies and receiverships and we talk a little bit about how perhaps with co-ordination with the Superintendent of bankruptcies in Ottawa, maybe the Ministry of Industry and Tourism, along with the interministerial task teams, can get in and help situations well before they are now.

In many cases the receiverships turn into undertaking operations when they should not do that at all. I think there is much to be done in this area, both from the point of view of what the banks can do to change perhaps some of their measurements and also from the point of view of how we can get actors in to try and save viable companies before they go belly up.

Then we get into a little bit of this question of divisional closings. What we are trying to point out here is that in some situations, not all, released from the confines of a corporation, the division itself could be viable. Poor or remote management combined with diseconomies of scale associated with large corporate size often make activities unprofitable which, in the hands of an entrepreneur or small group--for example, employees--could be profitable.

To some extent the government has addressed this issue with respect to foreign-owned branch closings. The government assistance is not currently but could be used on a selective basis with respect to large domestically controlled companies. In all cases however, government must be vigilant to ensure that its assistance does not materially damage Canadian-owned competitors.

Then we go into talk about, again, the costs of creating jobs and the evidence in existence right now would seem to suggest that small firms create jobs at approximately \$5,000 per, but if you look at the way some of the EDF grants have been given, maybe that money is not being spent as well as it might; \$38,000 as opposed to \$5,000 a job is certainly very generous.

We talk a little bit about the Ontario Development Corporation and what it is doing. There is a lot more announced about what it is going to do than what we have actually seen, so we wait. Again, I think that there is a lot of potential there and I think their mandate could be expanded to do more for Canadian firms, but we have yet to see whether Mr. Grossman's statements turn into reality.

Then we talk a little bit about finding jobs and we go over what is in place right now. To summarize, we really do believe that the present structures that are set up are the right concept and there is sound thinking behind it. We believe however, that the co-ordination of these efforts is somewhat haphazard and confused. But perhaps the Ministry of Labour and the Ministry of

Industry and Tourism could be working far more closely together and again, when you are talking about bankruptcies and receiverships, you can get more actors in much more quickly. And again, if you are talking about Canadian divisions, in some cases maybe, you could have Industry and Tourism trying to save those viable ones.

As was pointed out earlier, we believe the real solution in helping displaced workers is to speed the process of job creation in a province, and although there appear to be informal connections between the manpower adjustment agents and the industry assistance agents, the present interconnection between the two services appears to be haphazard and confused. Dr. Elgie's announced regional interministerial field task teams are a step in the right direction in trying to improve that interconnection and combine all the potential mechanisms into one operation.

It should be clearly noted that each shutdown situation is unique. Depending on the particular situation, there may or may not be a chance of saving the business. Where the industry assistance can be brought to bear in order to save a potentially viable operation, it should be done, and quickly.

Mr. Grossman spoke of all the programs that his ministry has to help firms. However, there are serious limitations to that assistance. First, the assistance currently does not extend to situations where a Canadian firm may be ceasing operations for any number of reasons and where, given assistance, it could continue in operation. Why, if this assistance is to help buy out a foreign firms, in a like situation are there no provisions whereby large Canadian operations can be bought out in order to save jobs?

Secondly, the minister makes the assumption that firms that are faced with serious problems threatening their operations have an ongoing knowledge that his ministry is ready, eager and willing to help. We would suggest that this is simply not the case. If the ministry is ready, eager and willing, it ought to tell somebody.

The CFIB believes that the most realistic solution to the current problems is to strengthen the current viable operations and jobs and the creation of new enterprises and employment in areas that have a future.

Then we go on to discuss the pension debate and we talk a little about what is currently in place and I think you have gone over that very carefully. We do say that we are going to get very heavily involved in the whole pension debate in this new year, and I think perhaps our view is that it is premature to discuss what we do not know, what targets we do not know yet, both at the national pension debate level and also here in Ontario with the Haley commission.

Then we summarize by talking a little bit about the importance of diversified economies in all of the locales throughout Ontario, and that wraps up my comments. I would like to thank you all for your attention.

Mr. Chairman: Mr. Gray, thank you, that is a first-class

presentation. The United Automobile Workers brief, about a week or so ago, was I thought equally good on the one side of the argument. I guess it is fair to say, speaking at least for myself, we have been looking anxiously to have the other side of the argument articulated honestly and without any rhetoric, and you seem to have done that extremely well.

Can I ask just one question, to give members of the committee another minute to think about questions they would like to pursue?

At page three, at the top, to what extent failure of governments, both in Ottawa and here, may have led to some of the problems that we have got, and I respect the point. The question though is on the third or fourth sentence in that first paragraph: "The failure to shift emphasis to innovative, independent Canadian firms, to capture domestic markets before we worry about foreign ones, has had its costs."

How would you advise governments to shift that emphasis?

Mr. Gray: I think that in some respects we are talking historically, that we, as a federation at least, and many other people have been calling for an organized co-ordinated industrial strategy for this country, not simply 10 different industrial strategies for 10 different provinces; one that co-ordinates and combines all the talent we have in this country towards, as Mr. Grossman likes to say, going with winners and recognizing where we have got mature, declining industries and trying to shift in an organized fashion to where we have a future.

I think it has only really been in the last year that this province, at least, has addressed itself to that, and I think it has been evident from the estimates that Mr. Grossman gave, and also from his recent booklet on Canadian sourcing and import replacement and those kinds of considerations, that we have got into this debate, certainly here in Ontario.

At the federal government level, we still are totally unco-ordinated on this and so it was really with respect to those kinds of considerations that this kind of comment was made. My colleague, Mr. Wietfeldt, may wish to elaborate on it.

Mr. Wietfeldt: Perhaps just to say that I think it is pretty well recognized that small business has, among the broader society, finally come into its own in the sense that at least it is recognized as an important part of the economy. So many of the government initiatives in economic development have been purely from the viewpoint of aiding or taking account of a sector, a manufacturing sector, or one particular manufacturing industry, but no account taken that a particular measure or incentive program or whatever, may have a differing effect on small firms as to large firms, as we are asking you to take a look at the impact of some measures on small firms.

It is a matter of planning, but it is also a matter of seeing what impacts there would be and being aware of the environment in which the small firm--the small firm's contribution

is quite different. Most of the firms that begin are small firms. A continuing process in economy is that a number of firms die, exacerbated at certain times, sometimes it is more, sometimes less, but a continuing number of firms are going to die as adjustments are made. The small business contribution is that a very large proportion of new businesses that begin are small businesses, and you have to have that continuing process of renewal.

11:10 a.m.

I do not know whether it was done from confidential figures recently, but the ministry for small business at the federal government level did an analysis of new firms that began in 1975 through the period 1977, and again they showed what we have always known in the federation, that an overwhelming proportion of new businesses that begin are small businesses. This is only incorporated business, by the way.

So aspects of government policy that do not take account of the very tenuous nature of that start up process, things that discourage entrepreneurs from starting a business, mean that you are diluting that process of replacing business that inevitably will die, replacing the jobs that are lost.

It is a matter of sensitivity. A lot of small entrepreneurs in the beginning are probably overconfident and probably do not know how many fail; a great majority will fail in the first five years. It is the procedure of being aware of what will discourage them, what will discourage them after one failure so that they will not take up a second business.

Many of you will know small business men who begin once but fail; or successful small business men who can tell of a failure in the past where they lost a lot of money, or at least a growth or expansion where they lost a lot of money. To stifle that sort of initiative is a key thing that governments should be aware of.

Mr. Chairman: Just one last general observation, if I may, picking that point up.

You started off by referring to your membership and making the point, which I believe to be absolutely correct, that 97 per cent, certainly the vast majority of businessmen, big or small, in the country, are first-class people with first-class commitments which have been measurable to their employees and so forth. Out there, too, there are villains, and the anger that they create in the minds of elected people like ourselves is matched by the anger in the minds of the good people out there.

Then you make, on page four, I think a superb, but just profound statement, which bothers me a great deal. "We submit that it is not possible to design general legislation that will catch the culprits and leave the innocents untouched." I believe that just as much as I believe that I am sitting right here today, and it poses a real problem for me, not just in this important mandate this committee has but in other areas.

I think you have done a first-class job. I will go to the committee now, there are three members of the committee with questions.

Mr. Turner: Mr. Gray, I would like to thank you for coming here and making your presentation, which was an excellent one. I think you have focused in on an area that is of particular concern to me, the separation of small business as opposed to large business with reference to the multiple effects, and I think much more drastic effects, suffered by small business rather than large business. I think I have already expressed my concerns on that.

I was just going over, very quickly, some of your summary. How would you propose dealing with the small business sector as opposed to the large?

I guess the question in my mind is the large, well-established manufacturer, who for whatever reason decides to pull it, is well able to look after himself, as opposed to the small business man who is struggling to survive, and indeed might just reach the conclusion that with the investment he has he just cannot afford to go on either breaking even or having a small loss year after year.

How do you make that division, how would you suggest it be handled?

Mr. Gray: It is a very arbitrary or very difficult kind of thing to address. Ten years ago, when they were addressing the mass termination provisions, they were having the same struggle you are having today. I think that my only way of trying to divide out those who can and those who cannot afford, is a little bit of what Richard referred to a minute ago, and that is that we do not want to stifle entrepreneurial initiative in the province.

I am not talking about severance pay in isolation, or notice and termination pay, I am talking about accumulation of a great many costs leading towards that stagnation and that stifling. You have a situation where, for instance, in the UK our sister group finds that because the laws that exist there have gotten so burdensome most of its members, that whole small business group in the economy, has become very stagnant to the point where they find that it is so costly to terminate an employee that they no longer hire them as full-time employees. They hire them on a contractual basis in order to cut costs.

So where does that point come where a firm can afford to give more generous provisions? I cannot really tell you exactly where that point comes, but I think you have to try to consider what the overall objectives economically for the province are and you do not want try to curtail the very things you are trying to promote, which are jobs and growth of the economy.

Mr. Wietfeldt: If I might add: termination provisions we view as fairly serious for small businesses. If 60, 70 or 80 per cent of small businesses fail within five years of starting, then obviously the termination provisions are going to hit them very

hard. That is a matter that should be considered very seriously, we feel, before imposing anything like that on small businesses.

Mr. Turner: Coming from a smaller community in the province and havng a background in business, I know for a fact that many small businesses are existing, surviving if you will, only because the owners are willing to take less income than you would expect or we would expect a person in the industrial sector to be satisfied with. In fact some of them are marginally paid, I guess.

Mr. Ramsay: They also work more hours.

Mr. Turner: Yes, that goes automatically with the operation of that type of business. Anything that we impose--and as you say that point about the accumulative effect is well taken; and it is not only the accumulative cost but it is the accumulated effect of government interference, filling out endless reports and so on.

Again, a similar question to what I asked earlier, but how do we come to grips with these people? I am afraid we are going to throw the baby out with the bath water, really, so to speak.

Mr. Gray: I think what we are trying to say in this brief is that most small business men are very fairminded, generally very generous. I think they are looking for the best interests of everybody, not only in their operation but in their communities. They do not want to see a business or businesses or whatever go down the tube because they have gone down the tube.

I think this sense of fairmindedness has to be kept in mind as well. There is a question of a sense of fairness or balance--it is a perception, but I think we are coming close to having the small business men in the province feel that the balance is getting increasingly against them and that anything to further hurt that perception or encourage that perception is countervailing. I think you have to really consider these things.

I will give you an example of the sort of thing that we are becoming increasingly concerned with.

The government has small business corporate tax rates, and in various jurisdictions they might move these according to the revenue needs. Ontario has a nice little situation for small firms in that respect. But if you compare the corporate tax rate and how it is lower for small firms, you wonder what the net effect is when you are seeing all of the indirect costs of that firm, through CPP, UI and any variety of other indirect costs that go into payroll taxes coming up all the time because of adjustments, inflation and all those kinds of things- you wonder what the net effect of all of this is, whether he is better off or worse off.

I say that rhetorically, but we are studying it very closely right now to try to find out what, in fact, is going on: whether these small business corporate tax rates are achieving what they were set out to achieve or not, because of the other added costs.

11:20 a.m.

Again, I bring it up in terms of a balanced perceptual kind of thing; whether it is just spinning our wheels or whether we are getting ahead.

Mr. Turner: That is an extremely good point; but in order to protect, if you will, or to preserve the small business sector, is there any other way that we, in your opinion, could be approaching this problem other than what you have suggested in your brief?

Quite simply, as I see it--and maybe this is an oversimplification--but there seem to be some manufacturers who are closing, particularly branch-plant operations, without any or very little consideration for the effect to their employees, to their community in which they operate and so on. They are not making these decisions based on what I would refer to as normal economic considerations. Somebody has decided to close it and it is closed, or it is cut down or people are laid off or whatever.

How do we focus in on that and not take the wide brush and catch everybody?

Mr. Gray: That is why I think we talked here about the concept, and the way the thing is structured a little bit now is right. You have a group that is sort of like a group that goes in and is basically geared for problem solving. It goes into each situation which like this.

I somehow doubt you could go into the firm and say, "Listen, your claim to economic viability is unjustified and you have to stay here." I do not think that is a solution. If you do keep them you will kept them as an unwilling unemployer, and I do not know whether that serves a useful purpose.

I think some of the measures that are being talked about by Mr. Grossman, for instance, in terms of foreign buy-outs--even helping employees, which is terrific, to buy out some plants where they have the capacity to manage it--I think those are the kinds of things that have to be done. Those are individual initiatives and they attack unique, extraordinary, serious situations.

But I do not see the need for a broad-brush approach where everybody is going to be touched, because I really do think that, as you say, a few are giving everybody a bad name. I do not think that you need apply these measures willy nilly across the board. I think that you have to worry.

I look at the federal proposals of yesterday, and a lot of them are very generous; but then I look at what has been done in this country on manpower training. We have always thrown money at the problem. We have so many funds committed to manpower training in this country that we are ahead of any other industrial nation, and yet we are still faced with huge unemployment and small firms that do not have workers.

Mr. Turner: And building up false expectations.

Mr. Gray: Is the solution to give displaced workers more and more money but not retrain them, or if you retrain them you train them for one year so that they get a certain skill level but not be able to attract any more work?

Mr. Martel: They have no work; that is the problem. Can I just intervene, John, with your indulgence?.

Mr. Chairman: And with mine.

Mr. Martel: It bothers me that you are right. In Atikokan right now we are retraining a lot of people, at tremendous cost; but there are no jobs. There is something nuts about that system; all it is is ad hockery to give someone pay for a year.

Mr. Gray: This is why we try to make the case very strongly in this brief, that you have to have a vision of where you are going and what you are at, and you have to have strategy for attaining.

We are talking here about creating jobs. We are not talking about giving somebody some bucks to be able to wait it out until he is 65. That is not a solution in my view. It is an adjustment, it will help that guy through a tough period, but if you ask that displaced worker whether he would rather have a job or the money in his pocket, he would tell you the job.

Mr. Turner: What you are talking about is a long term solution. I guess what we are faced with is a short term problem that is right now.

Mr. Gray: I think it is going to keep on happening. I think with the new GATT coming in you are going to continue to see a lot of investment in the economy. It is a reality. We have to become much more competitive as an economy; and as the brief says, we have to start looking at domestic firms, looking to domestic firms for our future instead of continuing to have a patchwork quilt.

Mr. Wietfeldt: I think you have a decision to make in the short term, but I do not think you have a short term problem, it is a long-term problem. A decision should be made fully in view of the very long-term, continuing adjustment of a lot of manufacturing moving out of this country to places where it will be done with less expensive labour and less expensive capital perhaps. It's a matter of a lot of the rest of the world catching up to us--

Mr. Turner: Although, oddly enough, that's an interesting comment, from what we have heard labour relations really don't play all that important a part in the decision-making process of closing some of these plants. In fact some of the plants are going to higher labour rate areas.

Mr. Martel: And more restrictions.

Mr. Mackenzie: Some of the very firms that are moving

have admitted that. Now that may be more in the branch-plant area, but they said the labour costs were not really the factor--

Mr. Martel: The problem area is the branch-plant area.

Mr. Mackenzie: --or the restrictions.

Mr. Turner: It's not the local Canadian group--

Mr. Martel: It's the branch plants.

Mr. Gray: Our concern is that--

Mr. Turner: So how do we deal with it?

Mr. Gray: I think equally that not all foreign investors or foreign employers in this province are bad employers either. You can say that the majority of these problems are associated with branch plants, but again I would suggest that they are the minority.

Mr. Chairman: If I may just jump in there and go back to a point that you have made in the brief. To pretend that a universal piece of legislation that purports to speak to the US multinational operating in Canada does not have an impact on Canadian multinationals is just not accurate because in fact it does. It just makes it harder to cope with. That does not mean it is not critical that it be coped with, but it's bloody hard.

Mr. Cooke: You are talking about the foreign branch plants and I guess you indicate that they don't have any worse record, perhaps, in some areas than Canadian plants. But the basic structural problems that you are talking about in your brief do come from the foreign branch plants.

We cannot develop a long-term strategy with foreign branch plants, no research and development, no apprenticeship training and some of the very irresponsible things that the branch plants have done because they have looked at the branch plants as a way of getting into our market, but not necessarily to expand or serve any other markets but Canada.

Mr. Gray: Very definitely our view is that in our future need, we should not focus on branch plants or foreign multinationals or whoever from outside our shores for our. We have got to look to ourselves.

Mr. Turner: Is that not part of the problem of developing an industrial strategy--

Mr. Mackenzie: Not if it is going to require some government intervention whether you like it or not. You are not going to get, with the size and the power of your multinationals, that kind of decision making, and they are going to have an influence even on the small businesses that you are representing. That is one of the problems.

Mr. Turner: That's where the danger comes in.

Mr. Chairman: When we get a stimulating brief like this, we get a cross-conversation, which is good; it just reflects the interest in it. But I do think, because there are a half a dozen people on the list, that we should try to stick to it. It will help everybody.

Mr. Van Horne?

Mr. Cooke: Boy, you're a dictator today.

Mr. Chairman: Dictator is right.

Mr. Martel: You insult everyone.

Mr. Van Horne: The brief gives a specific number of employers in Ontario that belong to your organization. What percentage of those employers would have union shops?

Mr. Gray: I would suggest that the majority would not have union shops. The majority of our membership is very small, below 20 employees, 20 and under. I think the members on my right would probably testify that there are not too many shops of 20 and under that are organized.

Mr. Van Horne: I noticed in your presentation that you touched on most of the themes that we have, as a committee, been struggling with. You don't really go into any depth on justification for closure. Could you comment on that? Is it something that you did not deal with because it didn't appeal to you?

Mr. Gray: I thought that indirectly we addressed it through talking about what is currently in place, the adjustment committees, the interministerial task teams and so on. There are quite substantial requirements for reporting and for provision of documents, with people being able to look into the viability of operations there. I think that that is sufficient intervention as it stands now and I would not recommend any more.

11:30 a.m.

Mr. Van Horne: Okay. You also indicated that you felt it was too early to discuss pension changes. I am wondering how comfortable you feel with what was brought into the House in December in Bill 214. Secondly, have you had any feedback from your membership on that pension bill?

Mr. Wielfeldt: To the second question, no, not that I know of. I am afraid we have not looked at it. I have been aware of it and read it in detail and so forth, but we rely pretty well on surveys for establishing opinions on positions. We have a survey question in the current mandate and we are preparing a survey just now to send to our members in preparation for participating in a federal conference.

It's more premature for us. We have noted some of the comments in the newspapers about questions about the provisions already brought in in the new bill and I suppose we would share

some of the concerns. But we don't have any specific feedback to report.

Mr. Van Horne: My final question: On page 14, in the middle of the page, some employers responded that one of the problems was the failure of the education system--16 per cent is quoted in there. When you see a thing like that do you address yourself to it? Do you attempt to analyse it and come up with recommendations for community colleges or the secondary school curriculum planners to change or to beef up or in any way to alter the courses they are offering?

Mr. Gray: Our only information as to what they mean specifically about the education system is that they feel it's the education system, and from that I can only presume to know what they mean.

Mr. Van Horne: You don't attempt to analyse it.

Mr. Wietfeldt: We have already taken it from: "Are you having trouble getting competent help, if so, why? Willingness to work, if so, why?" and so on. I guess at some stage you have to stop and say, "If it's education, what part of it?" I think from knowing the small business community you can presume that there are certain elements of it.

I know, having served on Dr. Elgie's task force on manpower here in Ontario before the commission was set up, that there was a great deal of discussion of the relevancy of what is being taught in some of these community colleges, and whether in fact it's helping at all, and if it isn't, how it's being mischannelled and so on.

My own personal view and the view of the federation is that in many respects there should be far more attention given to on the job training rather than looking to the institutions to provide people. I think there may be something to be said that you may get somebody who has gone through institutional training all his life and now, all of a sudden, be put out in the work world, and yet have none of the disciplines that are required in the work place.

So you get him maybe not having much patience with seeing a job through to the end, whatever it might be. Or he might shift to Alberta if he saw an opportunity like that. It's a question of does the education instil, for instance, among many other considerations, a discipline to work. I don't know.

Mr. Ramsay: Mr. Chairman, the first thing I would like to do is reinforce something you commented on concerning this brief and that is, on page three, the statement that: "The great majority of businessmen in this province do care about their workers and do support social legislation intended to improve the quality and opportunities of work life for their employees. They are also extremely community minded, often leaders in community programs in their towns."

Over the past few weeks--maybe it's because we are so close

to the issue--it seems that a lot of the comments that are made in this committee would give you the impression that the case is otherwise. I have been trying to make the point that it is not, that what you have stated is the case. In fact yesterday, somewhat ironically, I got somewhat incensed with a brief that was put before us which, perhaps not deliberately, painted with a broad brush as to the way the small business men felt in this province. I took great exception at that time to what was said in that brief or the impressions that were left as to the feelings of small business men across this province. Those are just some comments.

Moving on to some quick questions if I may: When you were responding to Mr. Turner, you mentioned that people are now hiring workers on a contract basis in order to soften the blow of the benefits package, which seems to be increasing all the time. There is another area that you did not mention but I think is significant, and that is that a lot of small business men are hiring part-time employees for that same reason.

Is that not correct, do you have any figures on that?

Mr. Gray: No, unfortunately we don't have many figures on that. But I think it is fair to say there are an awful lot of opportunities--quite apart from considerations of trying to beat the benefits package--I think there are a great many opportunities for part-time workers in small businesses. A small business man may only need a secretary for two days of the week; he may not have enough work to keep that individual occupied for the rest of the time, so he will hire that individual on a part-time basis.

We are not familiar with a strategy on the part of small business men to try to beat benefits or wage packages through hiring on a part-time basis. I must say that that is not something that quickly came to my mind.

Mr. Ramsay: I see. On page seven--.

Mr. Mackenzie: May I have a supplementary? One of the things that comes to me as labour critic are complaints where we do get this. I could raise a number of cases, three or four of which I have raised very strongly with the Minister of Labour--in one case there was an admission finally--where it was obvious that exactly that was happening.

What happens with your organization? I am asking you this only because we constantly are asked, when we have union representatives before us here, what responsibility do they take? But does your organization take any responsibility at all where the word filters down to you that somebody is using the contract to avoid--or is that any of your business, benefit? Do you play any role at all in terms of enforcing good business practices or what have you?

Mr. Gray: No, we don't. I think we like to try to promote good business practices and I think we try as an organization to represent the good employers within the group. I think you can always find people who are going to rip off an employee.

Mr. Mackenzie: I am not labelling everybody, I am just saying that I have had specific examples.

Mr. Gray: I am not trying to imply that it doesn't happen either.

Mr. Martel: The Independent Grocers Association--24 hours a week.

Mr. Gray: Maybe, I don't know. I cannot comment on that.

Mr. Martel: Dominion Stores does it now.

Mr. Gray: I think what I was trying to convey is no, we do not get involved in taking a member to task on that kind of thing.

First of all, I cannot remember ever being aware of somebody coming and saying, "Your member is doing this to a part-time employee, what are you going to do about it?" I don't think we are in a position legally to do anything about it, quite apart from that.

Mr. Mackenzie: Sorry, Russ.

Mr. Ramsay: Fine; thank you. Continuing, on page seven you say "if termination allowances are to be considered a form of social welfare..." I have maybe an old-fashioned philosophy that termination allowances are a reward for good and faithful service. Could you comment on that in respect to the point you are trying to get across in your brief?

Mr. Gray: If you will notice, this sentence takes us beyond the three previous pages, all of which do try to consider termination allowances as a reward for good and faithful service. If there is to be any, it has to be on that sort of basis.

Here we are simply saying we find it difficult to support general requirement for termination allowances on the basis of good behaviour. If then there were another justification, it would have to be as social welfare tiding over a family if the unemployment insurance and notice pay was not sufficient. That is the kind of--

Mr. Ramsay: I see, all right.

On page 13, you say "The interim report would seem to indicate that the great majority of organized workers do not view severance pay as a critical or even important issue for which to bargain."

The union people who have appeared before us have indicated that it is difficult when they are laying things on the table so to speak and have things such as salaries, increases, cost of living and so on, and severance pay becomes a low priority issue on which to bargain. Do you have any comments in that respect? That is their argument. It is interesting to see this point raised.

11:40 a.m.

Mr. Gray: I think that anybody who is familiar with collective bargaining would have to agree that the whole process is a strategic kind of manoeuvre and it's a bit like a poker game. You go in and you take your position. You may exaggerate your position and you would hope to come out with the best package.

It is really up to the parties involved to determine how best to represent their members. There may be some groups that would choose to go for more generous wage entitlements at the expense of severance perhaps, or maybe at the expense of pensions. Or there may be others that are looking down the road further towards pension protection and retirement income who will choose to go on that side of the thing.

Again, it depends maybe on the year. Maybe one year they will go for pensions and the next year for safety measures. I do not think you can have a special rule about it.

Mr. Ramsay: I agree. All I am saying is do you agree with the rationale you have just put forward in response to what you have put in your brief?

Mr. Gray: What I am saying is the numbers seem to indicate that of the ones you have in your numbers here, they found that it wasn't sufficiently important to put it ahead of say wages and other benefits.

Mr. Ramsay: Two other quick points, Mr. Chairman. I agree completely with your suggestion. I think it is an excellent one and I think your brief is an excellent one incidently.

On page 19 it says, "Industry and tourism can set in train a series of events that might result in reorganization of the business. New management, refinancing, new markets..." In other words, you are suggesting a strong, positive, well-organized consultative service to prevent these firms from running into problems or getting in over their heads. Is that what you are saying?

Mr. Gray: Or to save them before it is too late.

Mr. Ramsay: Well, that is what I mean.

Mr. Gray: There are an awful lot of receiverships where the individual company concerned is given less than 24 hours to try to come up with a solution to their difficulty. That is really not very much time. I think where it is a viable operation and is missing one crucial element, that it might very well be that that one crucial element is easily supplied but nobody is aware of what it is.

Mr. Ramsay: The final point I would like to make Mr. Chairman, and perhaps I am a little paranoid, but much of the brief is critical of Dr. Elgie and his policies. I happen to be associated with Dr. Elgie. He is certainly capable of defending himself so I don't intend to do that here. But I also notice that

while you quote your members in various places throughout the brief, the only time you give their origin is when there is one from Sault Ste. Marie. I was wondering if there is some relationship between the criticisms of the Ministry of Labour and that particular point. That is said only in jest.

What I really want to say to you is that--and here I am defending Dr. Elgie when I said I wouldn't, or did not have to. Dr. Elgie has to walk a thin line so to speak between progressive social legislation and protecting the rights of the employer and the employee. I maintain and contend that he has a very difficult job to do and he does it extremely well. I am therefore sort of disappointed to note the use of some of your language such as the statement was insulting and things of this nature. I find I have to take a little umbrage with that.

Mr. Mackenzie: It might be a bargaining tactic too.

Mr. Chairman: Just to provide some balance which we have been talking about. The comments about Dr. Elgie didn't bother me a whit.

Mr. Martel: Oh, you'll never make it.

Mr. Ramsay: On that note I think I will leave it. Thank you very much, Mr. Gray.

Mr. Chairman: Thanks, Mr. Ramsay. Mr. Martel.

Mr. Martel: I have a number of questions.

Interjections.

Mr. Martel: I have a fear that when we write our report in two weeks that all we are going to deal with are the symptoms, that there will be a great effort to talk about pensions, severance pay justification, and we will not deal with the root cause.

Over and over as I have sat through these hearings--and this is my third time around on select committees on economic problems; I sat on the previous four years on economic and cultural nationalism, 1971-75--nothing has happened to change it.

My fear is that when we write our report, we will deal with only the symptoms and we will not make the necessary recommendations, many of which were contained in the previous reports that say we have to alter the economic structure in Ontario and in Canada. Over and over again I have repeated this in committee. We have had so many reports, starting with Watkins and Gray, all down the line, and nothing has happened; nothing, virtually, has changed.

I am hearing the same stories that I heard from 1971 to 1975 in the small business community, that they cannot borrow money, they cannot get loans in order to expand their operation, yet the people offshore can, buying out the same business. And what even makes it worse for me or causes me more concern, is the way that

the GATT agreement, in my opinion, is going to sink us even further unless we are prepared to utilize what we have here to our advantage, starting with the base resources that are here. That is the sort of report I would like to see--I do not think that will happen; I might have to write my own report mind you--but I think that is where we have to start. So I have preface what I am going to raise with you from my concern that we are just going to recommend on those areas.

There are a couple of things in your brief that I want to raise though. Looking at the figures on page two, it would seem to me that the recommendation on severance pay would really affect about five per cent of your people. You represent 85 per cent--85 per cent of your membership is 20, 10 per cent employ 20 to 50, and five per cent employ more than 50. So in fact the severance pay would affect about five per cent of your membership, that we have recommended.

Mr. Gray: Our concern on that is that in the first instance it may very well affect only five per cent of our membership, but if you look at the way the federal severance pay provisions have just recently changed, it does not take long before what is good for five per cent is just as applicable to the rest. And our concern in raising it is that we just do not want to see that kind of thing happening.

Mr. Martel: But if society is not prepared to change the economic structures that are here, somebody is going to pick up the economic cost, whether it be though UIC, and with the million unemployed you have prolonged unemployment, welfare, and somewhere along the line someone has got to pay the costs in our type of society.

We are not going to allow people to starve. We might give them a subsistence living, mind you, on welfare, but he is not going to starve or she is not going to starve. So the avenue will be to tax. It is a form of tax, if you want to call it that. And unless we change the root structures, society is not prepared to see people starving and this is a way of resolving it. I would hope it would not. I would hope that job creation should be the focus on what we are talking about.

My experience has been--and that is the one figure I want to take exception to because I think it is a myth. In your brief you mention in your association, 78 per cent of the people who answered your brief felt that the unemployment insurance benefits were too rich.

I have talked to small business men too, and when you corner them and start talking about jobs and talking about what unemployment insurance pays for and the amount of welfare--the myth out there that welfare is so good that people are busting their backsides to get on it, is so prevalent in the business community it bothers me; because it is a myth. I have known people--a single person on welfare gets \$190 a month; I am not sure who is anxious to live on \$190 a month. But that is myth and it is a misunderstanding.

11:50 a.m.

I know every businessman in my community, every last one, and when you talk to them about it, and you tell them what the rates really are, they are amazed. They really are amazed and they do not want to believe that somebody gets \$190 on welfare total, single, male, female, living away from home. They do not believe it.

That sort of thing bothers me. That is the only thing I really have difficult accepting because I do not think most businessmen know exactly how much people do get either on welfare or on unemployment insurance because they deal with only the maximum. They hear about the guy who has worked in Ford but he has had the highest wage. But there are a lot of people who get \$100 a week on unemployment insurance, too.

Mr. Gray: I would like to make it clear that the federation--this is the result of a survey where the impressions of our members are recorded. I do not believe that the vast majority who are on unemployment are generously or over-generously paid, or that they are out to beat the system, or whatever. But I agree with you; there are a lot of myths out there about the whole thing and I think there are myths on both sides. There are myths about how cruel the employer is and there are myths about how much the employee wants to rip off the system.

And I agree with you. I think the brief suggests the real way of attacking this problem is not throw more money at it, but it is to make those structural changes.

I do not think that the day of reckoning is much further off. I do not think we can put it off any further. I think a critical part of it is here in Ontario where Ontario has yet to recognize the fact they have to go closer to world oil prices for the economic restructuring to take place in this province. You cannot live in both worlds. You cannot have it both ways. You cannot have low oil prices and expect all the manufacturing spinoffs to take place from those mega projects that are either in the west or in the east of this country. It is just not going to happen. Until you start addressing those kinds of questions, the structural, job creation type things, you are not going to get anywhere.

Mr. Martel: Yes, but I am going to differ with you there. Because world price of oil is just a cartel and the only countries left that are not in the cartel right now are Canada and the United States. The OPEC countries are government controlled, oil prices which bear no relationship--particularly their type of oil in the OPEC countries, which is not the frontier oil we are moving into or the heavy oil we are moving into that is so costly to extract; theirs is simply a figure which they determine, and bears no relationship to investment plus a fair return. There would be an advantage to Canada if, in fact, we did move to world prices, but that is an artificial figure as far as I am concerned.

Mr. Gray: You can argue about--

Mr. Martel: But our manufacturing sector would reap the benefits, or should put us in a very competitive position.

Mr. Gray: It should. You can argue about where the price of oil should be, but I would submit that the prices we are paying for Venezuelan oil are very real.

Mr. Martel: Oh, sure. Unless we became self-sufficient.

Mr. Gray: That is also something that involves a lot of restructuring.

Mr. Martel: Sure, starting with a pipeline through to eastern Canada. You will recall there was only one party who fought for that at the federal level though in 1965 to 1968, and we were told it was pie in the sky. We are now reaping the whirlwind.

Mr. Chairman: This is a fascinating area but it is just not germane to what we are doing and it begs to be said that not everybody in Mr. Martel's party shares his view on that difficult point. He could argue effectively the \$38 may be unrealistic. Would you argue that \$16.75 is accurate (inaudible)--

Mr. Martel: What I would like to see--

Mr. Chairman: It is a complex area.

Mr. Martel: --is we do find out what the costs are so that we know what the costs of investment are and the fair return and establish what a fair return is on it and move it to that.

There are only a couple of other points. Go ahead.

Mr. Wietfeldt: If I could just make one point to what we got into before the oil question.

I certainly agree with what you said, and what Brien said, that the welfare statistics, as far as we are able to show them, do not indicate what a lot of businessmen may perceive about it, or the ordinary public may perceive about it, but there is the other side of the thing. That is that, whether unemployment insurance in particular or whatever particular measure is taken, it comes up so often among small business men, and good ones, that it cannot be dismissed.

Over the course of a number of years, and a number of provisions of that type, we have built into our system an accumulation of measures which do have a large amount of disincentive to work, apparently.

Without denying what the other side says, it seems to me that it just comes up so often among employers--I do not find them myself, because we hire employees, but it is--

Mr. O'Neil: What type of disincentives are you talking about? Maybe you could give us some examples.

Mr. Wietfeldt: As I said, I do not think--Mr. Martel was saying yesterday that some research he had looked at shows not more than two per cent are abusing any particular system. I think that there would be very great difficulty in showing what is the response to any particular measure. But our people do not--

Mr. O'Neil: What type of measures though, again, are you talking about? Are you talking about welfare, unemployment insurance, or are you talking about other types of measures that are disincentives to work?

Mr. Wietfeldt: The ones that you have mentioned are some of them.

I just want to make the point that we made before. It is difficult for our employers to find qualified help on the one hand; it is also a great difficulty to find willing help. The attitudes that they express about the results of the educational system and so forth are factors I could not explain away. Not denying what you said and what Brien said about the general--I take it as axiomatic that the ordinary, pretty well everybody, would rather work than to accept unemployment insurance. That is an axiom of mine which I think is virtually 100 per cent true, but it is still true that it is a consideration in any measure that I would want to consider, that an accumulated effect of disincentives is something that should be considered in any measure you may move to impose.

Mr. O'Neil: You would say, then, that the figure which Mr. Martel used, the two per cent, is a little higher than the two per cent?

Mr. Wietfeldt: No, I am not sure what the two per cent was of, and--

Mr. O'Neil: Because I am not sure what it is either.

Mr. Wietfeldt:--and I am not arguing that number whatsoever. It is not a question of that.

Mr. Martel: I think people ultimately reach the stage, when you have been off and out of the work force for a long period of time, of almost of fear, psychologically, of getting back into it. Studies indicate that as well.

The difficulty is that if you--I could have a hiring hall agency in my office up north for people who are looking for jobs, from students with double masters right down to people who have no education at all; they are constantly in my office seeing if I can help them find a job. It is just endless, the number of people who want to work.

I also have a few who come in--the irony of it is it is so, the myth is so profound in peoples' minds that I will have somebody come in legitimately looking for welfare and say to me, "That bastard down the street does not want to work," and he is in there in your office looking for assistance to get some welfare or some social assistance and he is accusing the guy down the street

of being lazy or a malingerer. That is how profound and how ingrained it is. People have that perception, and it is a perception that bothers me because I do not think the facts really bear it out to be factual.

Mr. Gray: Can I ask you a question, shift it just for a minute?

In terms of this gap between the unemployed and the opportunities that small businesses offer, I do not know what the answer to that gap is entirely; I suspect part of it is training, part of it is discipline, it is a melange of a lot of things.

One thing that I thought of a little bit might be, for instance, if a guy is working for a multinational branch plant that goes under and he was getting, say \$12 an hour, and there are opportunities in the community with smaller firms that cannot possibly afford to pay that level of wage, would that former employee of that branch plant be inclined to go to the lower level of wage?

I do not know the answer to that, but it is something that comes to mind in terms of affordable cost of smaller firms and why there is that gap.

12 noon

Mr. Martel: He is going to look for something in his own field, far and wide, first, before he takes a reduction. You will find many workers who will take it as a stopgap measure until they find something or opportunities arise. Our real problem, of course, is when you have a million unemployed the stopgap is too long.

The difficulty is that the worker has established his living habits, maybe his payments. Part of our problem is the advertising, although businessmen say it is necessary. Advertising every day says, "Buy, buy; only 10 cents a day for this." I think we should put in the schools something about credit buying and teach them. He gets caught up and his commitment is to \$12 an hour, like most of us. When he makes that adjustment he cannot cope with it.

Mr. Gray: That is also a difficulty with getting skilled workers; the need for immediate gratification in young people today is pretty highly developed.

Mr. Martel: But that is what our system puts in, pounds it into him from the day--I mean my kids, who are two and three years old, see it; and they are told. It is a vicious circle. If we cut back on that sort of advertising, and maybe cut back on the amount of credit buying to a certain limit and beyond that say, "No, you cannot," but then you would get all kinds of people objecting to that, strenuously.

I only have two or three other points. One that I have difficulty with is your scenario. You build in the cost. I think you overdo it. Maybe you are just trying to show what could happen.

For example, if I look at page 15, "Eight weeks times 50 people times average industrial wage \$350 a week." What you are saying to me is some guy comes in and he says, "Today I am shutting the plant down." That is not liable to occur, because if you give appropriate notification there are not any costs, are there?

Mr. Gray: No, but again, as I said when we got into this, this is used as exemplary and only that. There will be situations where they will come in and say, "We are closing today and under the notice provisions we have to pay in lieu of notice."

Mr. Martel: Would that occur, though, primarily in--I saw it over Christmas, with interest rates, a friend of mine, who is very successful, was telling me of three people with whom he had leases, the bank moved in one Friday and put padlocks on three doors. That sort of thing occurs there, but that is a very small operation, retailing primarily.

How frequently does that sort of thing occur in manufacturing? A guy sees his problems start to develop, they do not occur overnight; he sees it coming and he is going to have to make some provision for change. It might be cutting a line out, as you say.

Most of the corporations before us, some of them told us they plan six years in advance. Do people respond generally in this fashion, that they do not see it coming and all of a sudden one day they just wrap it up?

Mr. Wietfeldt: Certainly a small business man, even those who try to plan six years in advance, is much less able to plan that far in advance, that is for sure. There would be situations where there might not be any cost at termination, I suppose, but it would be a matter of judgement as to whether he is going to be losing a lot more money by going the term and paying his workers and continuing to produce or to shut it down. He might lessen his bill by continuing to produce. It would be a matter of weighing the pros and cons.

Mr. Martel: The only thing that concerns me is that I think you overload your case, and that is all. This is what it could cost him if everything went wrong.

Mr. Gray: No, what I am saying is that you could use any sensitivity analysis you like, and that is partially why we put it in this way. You can take your own numbers and you can fix them in, you can change around, but those costs are going to remain there, there is no doubt it.

In terms of your other discussion about how quickly things shut down and about long-term planning, I would suggest that the majority of the firms you are talking to, when you are talking about long-term planning, are pretty sophisticated operations and that the managerial competence and sophistication of those people is very highly developed

When you are talking about small manufacturers in the

province of Ontario, or any part of Canada for that matter, you are not talking about men with a great deal of sophistication, you are not talking about men who have got the foresight, or maybe even the time or the capability, to be able to make those long-term present value assumptions and all of the different translations that business schools teach the corporate people to employ to be able to make meaningful assessments for the future.

Mr. O'Neil: Are you talking about future dollars or are you talking about--

Mr. Gray: I am talking about all kinds of different assumptions, and I just do not think that managerial competence is always there in the majority of cases.

Secondly, I do think that the banks often do come in quickly and they close them down quickly, very quickly, particularly where they feel that the chance of that thing making it is marginal. Part of the problem in the receivership area is that from the very outset, perhaps, banks are approaching it the wrong way. They ask the president of company X to pledge his home, his car, absolutely everything he has got, but it is not it is not a realistic pledge against the assets--it is not sufficient to have his company operate the way it really ought to.

In other words, they will not give him enough money, because his assets will not pledge enough money, to make that thing go from the outset, so it is marginal from the outset. If the bank sees any reason to pull, they often do.

Mr. Martel: What disturbs me about the banks: I assisted a small businessman about two years ago; he went through Northern Ontario Development Corporation and got a \$60,000 grant, and then the banks moved in. They said, "If you want us to loan you money, what had been staged over three years, you in fact must do it this year." So the poor beggar jumps in, puts it all up in one year instead of staging, which he could have done with the type of building he was putting up and the type of business he was operating; and then the bottom dropped out of the potato market in the last two years in Ontario, and there is the bank throttling him, just throttling him. If they had allowed the plan NODC worked out for this man to run its course he could make it; but they are strangling him now in receivership.

Mr. Gray: This is one of the reasons we are looking at it very carefully, and we will be glad to share with you what we come up with.

Mr. Martel: I only have one more point, and it is justification.

At the present time there is an unfettered right to close--we have seen it here, five or six of the companies gave no notice--anybody can close, whether they are profitable or otherwise. Some of the operations we looked at simply rationalized their production and went back. I think it was Mr. Van Horne who raised the question about justification.

Our problem is that we have companies, it might be Bendix, it might be Essex, which rationalized, decided they were taking their marbles and going home. I guess Bendix had been profitable in Windsor for 40 straight years, or something like that, and was still profitable; and yet you take the position, if I read you correctly, that there should be no necessity for justification.

Mr. Gray: The position that I took in the brief is that we feel, particularly with the recent announcement of Dr. Elgie, there are quite stringent requirements and if they do not meet them the minister can compel them to, share information, show about the viability. Whether or not the minister still could prevent Bendix from moving out of Canada is another thing.

Mr. Mackenzie: Are you talking about his statements or what is in the legislation?

Mr. Gray: What we are saying is, do you want to keep Bendix in Canada, an unwilling employer who likely will not reinvest any more money to the operation in Canada, or do you want to try to set up a situation where you get it domestically controlled if it is viable?

Mr. Martel: If I had my way it would be domestically controlled, but we have not been moving in that direction. At the same time, if Bendix wants the privilege of selling its products in Ontario, then Bendix has a bloody responsibility to Ontario and therefore they should be prepared to justify why they are doing it.

If they are prepared to sell all their marbles somewhere else and let somebody operate in this sphere who is prepared to operate here, fine. But for a company to just pick up and say, "We are changing the ground rules of the game;" for example in the Windsor area, which is devastated, with probably 25,000 people unemployed now, to take its alleys and go home and then still send its products into the Canadian market, is crazy as well, though, is it not?

Mr. Cooke: How would you ever get it under domestic control under the present legislation, when companies like Bendix can announce their closure and then get all their equipment on a truck and send it south of the border, and all you have got is a shell and it is not viable?

12:10 p.m.

Mr. Martel: And then they sell to the Canadian market from their offshore plant.

Mr. Gray: I am afraid I do not have a simple answer to that question.

Mr. Martel: That is our problem. See, none of the answers we are faced with are simple. How in God's name do we protect--

I would agree with you that the answer ultimately is it is not a short-term problem, but it isn't a problem that is going to

away unless we are prepared to deal with it from that point of view when we write a report. We are just going to deal with forcing it.

Mr. Gray: I think you have to be very careful not to try and kid anybody into thinking that short-term solutions are going to cause long-term benefits.

Mr. Martel: They don't have any benefits except short-term benefits and giving the man another--I mean the union was a little concerned because I said severance pay was a Band-Aid, a much needed Band-Aid when you see Windsor. But it isn't the solution.

Mr. Gray: But Ian Deans himself yesterday in the House said it is a Band-Aid, that these are not structural changes that are going to create the real solutions to the problems. I don't envy you your task at all, but what we have done today is try to come and give you an honest evaluation of our feelings on the matter.

Mr. Martel: It was certainly a much better brief than the one we heard yesterday.

Mr. Chairman: Very briefly, and I am terribly anxious to get to the next three people on the list, but on this justification for closure, because I listened carefully to your response to Mr. Van Horne and Mr. Martel there--I respect your dilemma--yet on the top part of page 20 of your brief, the second paragraph, divisional closings, you make an extremely good point following from the access the committee had to the profit and loss statements of some divisions and in that in fact maybe some of these divisions, unencumbered by the US or other parent, might be viable.

Mr. Gray: It could be true of Canadian--

Mr. Chairman: Implicit in that though is you had better check to see if that argument you make would hold, and to check would mean, if you don't like and I don't like the title, justification for closure legislation.

A right to check--actually that was an expression of one of the union witnesses--the right to check seems not unreasonable. The right to check in the context of the point that you have made with regard to divisions, that a division could be viable, does imply that you would have to, you, the community, the worker, the owner, the governments would have to get together at that to see whether it would be viable. Do you see what I am saying?

You make an excellent point about divisional closings. Implicit in that paragraph is the right to check, unless I have misread it. "Released from the confines of the corporation, the division could be viable." Says who? Well, says a group. What kind of a group? A group that together is checking into that question that you--

Mr. Gray: Perhaps I have totally misinterpreted some of

the present provisions. As I understood the announcement with respect to the interministerial task forces, they are kind of like a troubleshooting group that will go and then try and save an operation where they can. Part of that is looking at the books.

What I am saying here is that in the case that was given by Mr. Cooke where Bendix is moving plant and equipment and the whole thing out, then I have the same difficulty.

Mr. Mackenzie: It is harder with a recently refurbished plant as well as one (inaudible).

Mr. Gray: To put your hand on. But I think that in terms of--well, I made a reference earlier to the business of the foreign bias that Grossman has announced and some of them are proceeding under either ODC or EDF. I think those are the kinds of things that can help Canadians buy these situations where they are going to move and they want to sell off. In cases where they don't want to sell off, I haven't thought it right through on that issue because it has just been raised. But I think that--

Mr. Chairman: All I am saying, I haven't either and I want to get to the other members of the committee who are anxious to ask you some questions, but it seems to me that with more thought by all parties we are maybe not that far apart on that complex issue.

Mr. Gray: If for instance, Bendix had bought a lot of plant and equipment with the aid of an EDF loan or something like that, then perhaps there is a claim. I don't know.

Mr. Chairman: Thank you very much. Mr. Taylor.

Mr. G. Taylor: Applying that--and have you applied your mind to one and Bendix is thrown out and then we throw out the other one, Outboard Marine--Bendix is only part, what they make is only part of a large chain, so the government has justification in laws with the equipment in place.

How do you insert a law to make the chain take that portion of the link? That is the difficulty on Bendix, because it has no reason for being in existence except as part of the chain, as compared to an operation that is a branch plant but is a carbon copy of something in another jurisdiction that starts, beginning to end.

Although you might not have, say, the patent rights to Outboard Marine, to the marine engine itself, the Johnson motor, yet you can see that it is starting and finishing pretty well in a particular area, give or take a few facts. I recognize there are parts coming in from all over, but they see a finished product go out the door. Some people then say you can justify closing that and in effect you are stealing or enforcing their patents.

How do you rationalize those two things if you are going to support a justification thoroughly?

Mr. Gray: Depending on the individual case and again a

question of viability. If something is just simply an assembly operation, where they are importing the majority of the pieces that go into the finished product and where the supplier is in the United States and they decide to shut down their assembly operation, then the viability clearly is not there without the supplies.

However, there are situations where maybe there is one critical component that goes into the finished product that could be manufactured by another Canadian operation. Then that is potentially a very viable operation. I do not know whether you wish to elaborate, Richard.

Mr. Chairman: Thanks, Mr. Taylor. Mr. Cureatz, Mr. O'Neil and Mr. Williams.

Mr. Cureatz: This is an issue that I have been thinking about all morning. I am glad of some of the inquiries that other members have made because I think it originated on page four; the chairman centred in. You admit that it is not possible to design general legislation which will catch the culprits and leave the innocents untouched.

Of course, you are centring in on a group that you are protecting, throwing this out for an example and Mr. Taylor then brought out the problem. But, for instance, in terms of Canadian-owned operations not having to submit to justification but on the other hand foreign-owned plants would have to submit to justification. What do you think about that?

Mr. Wietfeldt: I don't know. It seems to me it is a question of what kind of check you mean or if you are talking about imposing measures. Mr. Martel was suggesting that what you would do is--what? Ban the product of a company from Canada if it was going to be imported and they had closed the plant here? That sort of thing seems to me awfully hard to consider being imposed.

Mr. Cureatz: That is when it closed. Let us pretend that it is about to be closed and that it is foreign owned. So now we say, we have a tribunal, if you are foreign controlled you have to give us reasons why you are going to be closed.

Mr. Wietfeldt: The reasons are that it is going to be a kind of a discussion, informally, between the parties involved and that public pressure is going to influence the company in some way. That might be a little more conceivable.

Mr. Cureatz: But then Mr. Taylor's problem is, as he says, if it is a subsidiary in terms of making a small component on an overall plant basis. I do not know how you solve that one.

Mr. Gray: Again, this is the problem of the whole concept. If you have a branch-plant economy there is going to be this shakeout. There is no question about it that there is going to be a shakeout.

I think anybody who is aware of the implications of GATT are going to see the shaking out of branch plants, because they don't

go beyond the parameters allocated to them by their head office wherever it might be, in the United States, for instance. In many cases they do not have the capacity to go it on their own, so if the head office pulls out, you may have a plant there but it probably, in some cases, will not be self-sufficient because they don't have any R and D. They probably have absolutely no export capability. They may be lacking in supplies. The list is endless.

That is why I say you have to really look at the viability, whether it is only viable because of the inputs from the head office.

Mr. Cureatz: But I suppose in terms of the degree of frustration that Ontario feels when we have foreign plants that are shut down, as Mr. Mackenzie brought up which I thought was an interesting point, with the large corporations, maybe that is what you need. Unfortunately governments, in order to combat those kind of decisions, are saying, "Wait a minute, notwithstanding all those inherent problems of a branch plant operation, you are going to have to justify them."

12:20 p.m.

Mr. Gray: Let us say you get a guy to come in and justify and you say, "No, that does not work. You stay here." So he stays here. That is still not going to change--he may maintain a few jobs for a while but it is not going to change the structure of that plant. If you somehow create a situation where if it is viable and you have Canadian ownership brought in and it gets going again, find it owns markets, perhaps exports, you are creating jobs and perhaps expansion for further jobs.

Mr. Cooke: It is probably the only way it would be viable.

Mr. Gray: You have to get your domestic market before you can export.

Mr. Cureatz: That leads to my other problem on page three, which was in the first paragraph, "The failure to shift emphasis to innovative, independent Canadian firms, to capture domestic markets before we worry about foreign ones."

In my understanding of market availability, really the market in Ontario in terms of people to buy whatever you are producing versus the market in the United States is extremely small.

Mr. Cooke: Read the deficits though.

Mr. Cureatz: So can the small entrepreneurs, small business men, when trying to be competitive--as you are saying the GATT negotiations, the tariffs that are following--think only in terms of supply in the domestic market? They cannot and that is a problem. When having to be competitive you have to think on a larger scale so that you can have volume to lower prices.

Mr. Gray: I think that when any business starts off, if

you want to be successful you have to either have a product that clearly differentiates itself from the rest of the market and gives you a competitive advantage or you establish yourself for any variety of reasons firmly within your home territory. Then you are in a position that would be strong enough to be able to take on the cost of exporting.

What I am saying is, until you get people strong domestically--you may have friends whom you are trying to encourage to export from the very beginning. I would submit the ones that are successful are either ones who have a good base here in Ontario domestically or ones who have such product differentiation that they cannot miss. That is what we have to work towards. That was the gist of that comment.

Mr. O'Neil: I know there were some comments that you and some of the other members made about financing, the banks, ODC and things along that line. Do you have opinions on financing as to how this could be improved so that we do not have so many of our small business people going broke, or other ways that we could help build new businesses?

Mr. Gray: I think that certainly financing has been for a long period of time, even before the interest rate problem, the major preoccupation of our members. That is with a membership that, as small business firms go, are reasonably mature in terms of age.

If you start talking about where the jobs are going to come from in this economy, new startups, new ventures and growth-oriented firms, all of which are high risk, and you find that your more mature small firm sector is already having large difficulties with financing. Extrapolation would lead me to believe and I think anybody who knows much about financing knows that the chances of those firms that have got the future, got the potential for creating jobs are going to have an even worse time of it.

I think that the Ontario government has made a very strong step forward. I am not suggesting the small business development corporation program is fail safe, but it is certainly a very strong step forward in helping small firms in the province to restructure their equity position so that they are in a better position to get debt financing. I think that is one good initiative.

Mr. O'Neil: But do you find many are making use of that particular plan?

Mr. Gray: I think if you look at the numbers there is a great deal of usage of it. I am not satisfied that it is a failsafe method and we will be coming up with ways to try to make it better and perhaps get it out to different localities.

A criticism that has been made of that effort, that program to date, has been that it has not filtered out to all the regions of the province. I think perhaps it is too early to say that it will not happen. Because as in anything else, business, risk taking and so on, if I were a guy in Huntsville, if I were a guy

up in Sault Ste. Marie and suddenly a program like this came along, which is reasonably sophisticated--venture capitalism is a tough business and it requires great expertise--if the Bay Street boys took a fling at it and then failed, I would rather watch them do that and then not take the chance myself.

What I think is happening, I think a lot of these entrepreneurs in different parts of the province are looking at it and seeing it whether applies. It appears that it is and I think you will start seeing regionality come from now on, but it is really very early to judge it. The experience in Quebec with a program very similar to it has been very good and it has been in operation longer than the SBDC.

That is one way of helping the financing problem and it is an interesting initiative. I think the Ontario Development Corporation contributes to the process in terms of helping financing. The Federal Business Development Bank does too. I think that the requirements under the SBDB at the federal level are certainly a help, but it is very, very restrictive.

In a high interest period, when a lot of the reasons for the high interest rates are not controllable in the province, then you have to look for some federal fiscal measures to help and also to programs that are existence to help out.

I do not think there is an answer to the financing problem.

Mr. O'Neil: The ODC though, and I imagine you have had a fair amount of experience, I find that they are interested in dealing with some of the bigger companies, whether they be manufacturing or that. They do not really want to assist the smaller ones which would likely be in the area of 20 or under; companies that you are talking about. Or have you had fairly successful experience with ODC--or have you had much?

Mr. Gray: It is interesting, in the spring of 1979 we did an Ontario provincial survey. We asked the question: Have you ever received economic or advisory assistance from a provincial agency--something like that--which essentially would target either Industry and Tourism and particularly ODC, because ODC is theoretically set up to serve small business. The majority said, "No, I have not." We thought, "Maybe retail is skewing this answer."

By sector, by the manufacturing sector, again the majority--I am talking about somewhere in the 60 per cent level, maybe higher--said, "No, I have not." So I really do question how much ODC touches our membership. I am not trying to say that they are not doing their job. There may be more of a job to do.

We really believe that in terms of financing and in terms of assistance to small business that you are often better to work through the tax system and through policy measures, rather than through programmatic measures because it touches everybody that way. Programmatically it depends very much on the small firm's capability to fill out the forms.

I know with ODC there are fairly rigid form requirements and so on. In some federal programs you get a situation where you, as a small business, have to hire a consultant to fill out your form to hope that you might get the help.

That is why that quote in the text is interesting which says, "I am glad I got the money because I do not need government any more." They prefer not to. If you do it through the tax system then everybody is helped.

Mr. O'Neil: Too you are making some comments about loading up the small business men again with notice factors and pension factors, things along this line. There has been quite a move among some of the unions to unionize some of the smaller companies throughout the province. I know people who have gone to you in this regard because there seems to be a real fear among the small companies of being unionized.

I wonder if I could have your comments on that.

Mr. Gray: I think the whole question of labour relations, labour standards, as it affects small firms is a very serious one at the moment in the province of Ontario. How serious it is is determined partially by perception and partially by realities. I think that it is serious enough that we have done a major study on labour standards and labour relations in Ontario as they affect small firms. That study should be coming out within a month or month and a half. I do not want to pre-empt what is in that, but it is a problem in the province.

Mr. O'Neil: Is it along the line that if small firms are unionized it is harder for them to exist than if they were not, or what?

Mr. Gray: No, the intent of the document is not to union bash or try to say, "To hell with unions," or anything like that. The intent is to try to look at the situation as it stands right now and how it impacts on small firms and how they are able to cope with the current legislation, how the legislation may or may not be biased against the interest of the small firms--I am not suggesting necessarily to the advantage of unions, but in some respects perhaps the legislation has been drafted with big firms in mind and has not taken into account the differences of operation of a small firm, that's all.

Mr. O'Neil: That report you say will be coming out shortly?

Mr. Gray: Likely within about a month and a half.

Mr. O'Neil: You mean public to your members or would it be public?

Mr. Gray: It will likely be published.

Mr. Williams: I'm sorry I missed your oral presentation of your report. I have since read through it while others of the

committee were questioning you. I have a few questions I would like to address quickly to you.

First, looking at your executive summary, item three: Avoid penalizing all firms with additional costs because of the misconduct of a few.

I don't think that's really arguable. I think it's a valid point. And in referring to the six or seven companies that the committee had before in the initial stages of its hearings, I am not suggesting that any one of those companies necessarily could be classified as having in some way not conducted itself properly.

However, what I wanted to determine--because you have indicated in your brief you are well aware of the fact, you have been close and concerned observers of the activities of this committee--do you feel that the selection of those particular six or seven companies was a true indicator of the attitudes of companies at large, realizing that those companies are outside of your mandate because of their size. I don't think any of them would be members of your association.

Do you feel that that was a good representative group of companies to have in? Or would there have been a better-balanced illustration of the problems confronting the business sector as a whole if there had been a greater variation in say, the size of the companies that came before the committee to testify with regard to layoffs?

Mr. Gray: I don't have any particular comments on that. I think it must have been a very difficult decision to select who to bring in. I felt that the case examples were varied, certainly, if you take Heintzman as a particular type of issue, which essentially was a family firm that lacked management expertise in the end, and started to get inefficient in its production.

Then you get into CPR, which is yet another Canadian company which had its own difficulties. And then you get into the foreign branch plants. I don't know whether I could have suggested a better selection.

Mr. Williams: Do you feel that there is a sufficient number of firms brought in to give us a good trend, if you will, or give us sufficient information to draw from those particular cases to be significant to some of the conclusions that might have been drawn in the interim report?

Mr. Gray: I am not familiar because it has been a while since I have read each of the cases, but what was the smallest employer in all the ones that appeared before you?

Mr. Williams: I think Heintzman was probably the--

Mr. Gray: I think that probably it was representative of sort of a mean of our manufacturing membership and that in having them before you you caught that middle-sized, Canadian-owned company. And that is representative of our interest.

Mr. Williams: So you feel that that was a fair cross-representation in the marketplace for purposes of trying to deal with specific cases to arrive at some general conclusions?

Mr. Gray: Again, I don't know how I could have improved on it, but then I was not part of the process.

Mr. Williams: What initiatives, if any, has your association made to the federal authorities with regard to the bankruptcy laws which are obviously so outdated and antiquated that I guess they, in some respects, work against the business community because of the fact that there are so many anomalies in the bankruptcy laws?

I think the whole process that confronts a company in difficulty sometimes can work against their interests. Have you made any representations, as an association, to the federal authorities, with regard to the slowness in bringing about reform in the bankruptcy legislation that has been sitting on the books for so many years?

Mr. Wietfeldt: Yes, we have done so. We have talked to the minister responsible, and we are on a committee that he has formed with regard to receiverships in particular. We can present you with what we gave to the federal minister. I don't have it with me but we can send it to you.

Mr. Williams: In my questioning, it is obvious that I felt that the bankruptcy legislation, because they are still using the old law, which I feel is outdated and inappropriate in many respects, can adversely affect business decisions of companies that are on the brink. That was my feeling.

Perhaps I should ask if that is your feeling as well. Do you have that concern, do you feel that is a valid observation?

Mr. Gray: I think the feeling of the federation is that there are an awful lot of situations where there are so many questions involved dealing with personal bankruptcies, businesses affected by somebody who cannot pay his debt or by the bankruptcy of suppliers. Most of our firms are affected by companies that go bankrupt and affect their operation as a result. I think that part of our representation to Mr. Ouellet--Richard was at that, I was not, unfortunately--was to try to make provisions whereby a firm, if it's capable of having a restructuring of its clients take place, to give him the appropriate time to be able to do that.

Mr. Williams: I would certainly be interested in seeing the submissions you made to the minister. I don't know whether the committee would be interested or not, but I certainly would be. John Williams is my name.

On page 22-- You were talking about the energy issue earlier and you may have touched on it. If you did, I did not get the point. How did you arrive at this statement, that "Ontario insists on paying only 40 per cent of world prices"? Where do you get that figure from and how do you draw that conclusion that that is Ontario's position in the energy debate?

Mr. Wietfeldt: I don't know of any specific statement, but the general position of the province has been to support the existing structure of low, uniform Canadian prices; and in fact they are now 40 per cent of the average OPEC price, approximately.

Mr. Williams: That may be. I think it is quite well understood that the province has resisted increase in oil prices. But I take the way it is presented in your paper to suggest that Ontario is demanding that we stay at that percentage factor. In fact I think it is quite clear and on the record, both from the Minister of Energy (Mr. Welch) and from the Premier (Mr. Davis), that while we have resisted increase in domestic prices, we recognize at the same time that it is inevitable.

I think we have saved industry in this province millions of dollars because of the delay in implementing increases. I don't think that the Premier has ever suggested that it would not inevitably come. But we have never, as a province, and I think section 3 is misleading, the way I read it, in that it suggests that Ontario would not at any time want to go to world prices. I think we have clearly and consistently stayed on the position that we would be moving towards the Chicago prices or prices that are certainly 75, 85 per cent, but less than world prices. I think one of the most recent statements the Premier made, as I recall, was that he was supportive of and understood that the western producing provinces were entitled to increases.

The way I read the statement you have on energy suggests something else again, that both the federal and provincial governments must move to world price in order to get us into a viable international marketing situation. I may have misread it, but that's the only way I can read your position on that as you have set out in your summary, that is, co-operation between the federal and provincial governments to move more swiftly toward world oil prices in order to stimulate investment and employment in Ontario.

Certainly this province's position is firm that it is not prepared to move to world price, that it will support another formula, the Chicago based price, or whatever, but not the world price, and I think we have very valid grounds on which to take that position. I think they are much more valid grounds than the position being taken by the federal authorities and will provide equity and justice to the oil producing provinces at the same time.

I don't see how your suggestion that you have to move to world price to move into a viable international marketing position. I don't think that your statement on page 22 can be justified. Would you like to comment?

Mr. Wietfeldt: The summary, I think you read it yourself, says "move more swiftly towards" and we have not taken a position, either, that it has to be exactly at the OPEC price or the world price.

12:40 p.m.

Mr. Williams: I know you do not say it has to be OPEC prices, but I think you are suggesting that world price is the only appropriate position to be in.

Mr. Gray: I think what the intent of the piece was that unless Canada, and not simply Ontario, moves more rapidly upward where that levelling-off place is--which will have to be hammered out, but it has got to be higher than has been suggested--what we are hoping will happen to this country just will not.

Look at Canada's prospects. If we took advantage of them over the next couple of decades, we would be the envy of the world. And yet we seem to be keeping it away, because I can tell you right now the Alberta government is not going to move on a lot of those projects if they do not feel they are getting an adequate return.

Mr. Williams: I agree. I am the first to support you if it is your position that the federal authorities should spend their time at home negotiating with Alberta rather than going around the world negotiating with the OPEC countries. That is self-defeating. I wish they would recognize Ontario's position, which is that they should consummate an agreement with the west at the earliest opportunity. That has had more negative impact on our economy than any single thing in recent months.

I think Ontario's position is very positive, very clear and very consistent. It certainly does not move to world price, but to something that is an equitable and fair price that would accommodate the western provinces while giving a continuing advantage to the other provinces within Confederation. It seems to me that that is the thrust that one should be giving to the argument, rather than suggesting world prices as being one of the means of rationalizing and getting international commerce moving between this country and others.

Mr. Wietfeldt: If you are suggesting--which is my understanding--that Mr. Davis is now in a position of pressuring Ottawa to move towards world prices more rapidly, then we are in agreement with Mr. Davis.

Mr. Williams: No, Mr. Davis is not suggesting that Ottawa move towards the world price. I think the price that has been set by Ontario is different from world price and we have consistently stayed with that position, with the formula that would be applied to recognize the justification for the western provinces to get a higher price than they are at present receiving. But not world price; and I don't think it is world price that the western provinces are striving towards either, but something very close to it, which is more consistent with the formula that has been laid down by Ontario than what Ottawa is trying to bring forward.

In any event, coming back to how you arrived at the 40 per cent, I just did not understand that or your suggestion that the provinces are all striving towards moving towards world price. I think it is not quite accurate and does not truly reflect what is happening or what the thinking is of some of the provinces,

particularly Ontario. I don't know whether you want to add anything further or not.

Mr. Chairman: Brien and Richard, officially on behalf of everybody, thanks you very much. It has been an extremely good, thought provoking, first-class presentation.

Mr. Williams: I would like to add a postscript there: Your comments on the no-fault system on page three, I could not agree more that that has been part of the nonproductive aspects of this committee where everybody on occasion has been trying to place fault.

Mr. Chairman: Thank you very much. We will recess until two o'clock, at which time we will go over the draft outline of our final report.

The committee recessed at 12:45 p.m.

LEGISLATURE OF ONTARIO

SELECT COMMITTEE ON PLANT SHUTDOWNS AND EMPLOYEE ADJUSTMENT

WEDNESDAY, JANUARY 21, 1981

The committee resumed at 2:19 p.m. in committee room No. 1.

DISCUSSION OF OUTLINE OF FINAL REPORT

Mr. Chairman: I will call the meeting to order. We will take advantage of the open afternoon to look at that draft outline of the report. Probably, gentlemen, it would make more sense if everybody has the sheet in front of him, Revised Outline. You will note that it is the revised outline of the final report. Let us just go through it.

Executive summary: I cannot conceive there are any comments obviously at this stage of the game.

Introduction: Terms of reference. That would be quite straightforward.

Please Rick, John and Graham, no propriety is necessary. Just jump into the discussion here.

Terms of reference; that will be addressed.

Background to the setting up of the select committee.

Again, The work of the select committee; method of proceeding; schedule of hearings; groups heard from--all of this is very straightforward. The interim report; scope of the committee's concern.

Now, Causes of plant shutdowns really brings us up to where we began in 1981. Introduction; recession and inflation. Can I ask, Rick, what do you visualize putting in the final report under that heading?

Mr. Jennings: I do not know whether causes is the best term for it, but it is just giving an idea of the economic background of things that have been discussed before us as being the reasons why the plant shutdowns are occurring in Ontario at the moment.

2:20 p.m.

So the areas being covered are just the issue of recession and inflation--the recession because below-demand companies are rationalizing production and the inflation because of the high interest rates. Then the other ones follow other areas that have been brought up as possible causes, some of the causes of plant shutdowns, structural weaknesses in the economy, foreign competition and foreign ownership.

Mr. Chairman: If you look down the whole of that section, causes of plant shutdowns, the challenge is a big one.

Mr. Jennings: These are not going to be really detailed or definitive statements on it. They are going to be more or less summaries of what has been presented to us, and then following that, arguments by groups appearing before the committee will be some more specific concerns that have been raised by people before us. Then the final--

Mr. Martel: Before you go on, you say you are just going to put before us the information we have heard back and forth. We are here to make reference to a whole series of material, which is maybe just a bibliography indicating the problems that we know of--the structural weakness has been written, rewritten and rewritten--and maybe list all of the damned things.

It was obvious this morning from the federation of small business, it was evident from Professor Britton that in fact unless we are prepared to make some structural changes all we are going to be faced with is more of the ad hockery that went on. That is why I said this morning I had a concern about what in fact is going to appear in the final report, because if all we are really going to make recommendations to are things such as severance, pensions, employment adjustment groups and justification, in fact all we are adding to it is just another layer of Band-Aid to the whole problem; the weakness of our economy will not even be looked at. That is what concerns me about what we are doing.

I understand the briefs that were before us and the people who were before us. We do not seem to be really very seriously considering, not the plants that are shutting down per se now, but the weakness which sets up the situation which will see this continue with new tariff arrangements and so on.

Mr. Chairman: I know exactly what you are saying and to some extent though, Elie, that last point is going to be covered--is it not, Rick, under foreign competition, foreign ownership and so forth?

Mr. Jennings: Yes. The point of this chapter is to go over all the underlying areas of why there are these shutdowns, including some of them that may be of short-term problems, like the recession or inflation, cyclical problems and then the deeper more structural ones, and other ones that may be long term or may be shorter term. But then there is provision there for any conclusions or recommendations we wish to make in that area, and highlights of the areas that are specifically of concern to the committee.

Mr. Martel: We will certainly come to it. We might find ourselves fattening it up substantially though, in that particular area, because in my opinion--and it is only my opinion; I have not consulted with anyone else--but until we are prepared to grapple there (inaudible) something else (inaudible).

Mr. Jennings: Yes. In going through this, any specific ideas or areas that you want highlighted, if you suggest them--this is the way I am planning on proceeding right now. But anything else you want highlighted in addition to this--

Mr. Chairman: I wonder, because we do not have a formal agenda, but I like this part of it. Causes of shutdowns, causes of, costs of, and then under employee adjustments--or comments.

What I wonder a little bit about, the last two points under causes and costs, about conclusions and recommendations, I am wondering what the heck--just thinking out loud here--what recommendations would we have following the section on causes that would be different from the recommendations that we, as a committee, would make following the section on costs of plant shutdowns.

Mr. Jennings: For instance, one thing that may be recommended in the area of costs is the idea that has been talked about quite a bit, that there actually be a case study, an in-depth study of all the social costs from either one specific shutdown as has been proposed, like the Windsor area which has been specifically hard hit.

If we were going to make a recommendation that the province finance a study like that, then all the conclusions or recommendations will be contained in the executive summary at the start. But it is also usually useful to have them in the text along with them--

Mr. Eichmanis: I think what the chairman was getting at was that he thinks the real recommendations would only come out of the costs of shutdowns and that there wouldn't be much in the causes of shutdowns. I think that is what he was getting at. What are the specific recommendations that would be (inaudible) on the causes of shutdowns.

Mr. Mackenzie: Unless you use the broad term of foreign ownership, I suppose you could cover that other under either heading. But it is obviously one of our problems.

Mr. Cooke: I would think under--

Mr. Chairman: Okay, I can see that point.

Mr. Cooke: Under recommendations we would be looking at industrial strategy and that type of thing. Under costs we may be looking at even recommending some different cost sharing agreements for welfare and that sort of thing.

Mr. Chairman: At the very least we have a specific recommendation as far as foreign ownership under causes of and a specific recommendation under--what did you just say?

Mr. Cooke: Under costs, I would think one of the things we would be addressing is a city to do the entire costs as well as cost-sharing agreements, welfare, whether unemployment gets to a certain level there should be less input from property tax and more from the province; that type of thing.

Mr. Mackenzie: I think under costs too you have to make some reference and maybe it is intended in having put it there, the broad balance of payment deficit we may be into or the broad

costs, national costs I am thinking of, in terms of what we have to import.

Mr. Chairman: Okay, I see. Any comments generally about the outline? I kind of like those three main parts as I mentioned: causes of, costs of, and then employee adjustment.

Mr. Turner: Maybe this a simplistic observation, but we are having conclusions and recommendations under each heading. Would we summarize those at the end?

Mr. Jennings: At the executive summary at the top it would start off, they would all be together.

Mr. Turner: You would put everything together at that point.

Mr. Jennings: Yes and then the idea would be that also in the text near where the arguments are made we conclude them there as well.

Mr. Eichmanis: The reason for that I suppose is that we were anticipating media coverage of this so that media would of course go immediately to the recommendations.

Mr. Turner: Right.

Mr. Eichmanis: That is why we would put it at the beginning, so they would immediately go to those.

Mr. Turner: That's fine. I don't have any difficulty with that.

Mr. Jennings: I realize that most people are going to read it all the way through from cover to cover, but there might be one or two who just want to read--

Mr. G. Taylor: --at the end if they are going to circumvent the process of arriving at--

Mr. Jennings: This is to save them from having to. It is going to be right at the front.

Mr. Chairman: Under costs of, we are down to the decision making process, external costs. External costs would speak to what?

Mr. Jennings: Again, there are several different terms for that. It is dividing total social costs, internal and external costs so that when a company is deciding to close down or making that decision, they look at the internal costs, the costs that affect them, how it is going to reduce their costs of doing business.

The external costs would include the costs of the government having to pay unemployment insurance, people having to relocate, training costs. In other words, their costs that are not

necessarily met by the company or the person making the decision to close down.

Mr. Chairman: Okay. Social impact--sorry.

Interjection.

Mr. Jennings: Yes, what I am looking there to do. There are some that you can specifically say well there is going to be the costs for unemployment insurance, there is going to be certain costs involved in people losing values of houses if it is small town.

Then there is going to be social impact, which is an external cost. You say there are more people going to social help agencies and things like that. It would be ideal if you could say how much that would cost, just to give an idea of other things which we cannot necessarily quantify.

2:30 p.m.

Mr. Chairman: Rick, is there any area on which you would like to get some feedback from us? I think the first two parts are fairly clear. Is there some direction that you need?

Mr. Jennings: Mr. Martel just mentioned about whether there would be justification. I see the decision-making process part and costs, talking about the way the decision is made now. For instance, it is just the companies making it, that is the way decisions are made.

When you go into saying that there are these other costs, then it is how do you deal with these other costs, how do you include them in the decision making process? There will be some discussion on that and one of the options is that we have some other group that is responsible for trying to include those in the decision-making process.

Mr. Eichmanis: If I may raise another thing, where this has in each chapter the areas of concern for the committee, it includes a recommendation. In some other committees you have that sort of run together so that there is kind of an argument about the recommendation, and there are two separate kinds of--

Mr. Chairman: I like that idea. Then the last part is pretty straightforward, I guess.

Mr. Turner: Except, should we not be looking at maybe some of the national implications as well as provincial implications? I don't see provision for that in there.

Mr. Jennings: Do you mean for the employee adjustment?

Mr. Turner: Yes. Maybe areas of concern or whatever.

Mr. Jennings: I was thinking, for instance, in the termination notice provisions, that there would be some discussion

bout other jurisdictions in Canada, what both the province's and the federal provisions are, as well as a brief discussion of what they are in Europe or the US.

Mr. Turner: I think quite rightly we are concerned with the problem as we see it in Ontario. Obviously it is happening in other places. It seems to me that rather than having a piecemeal approach on it there should be some kind of an overall--

Mr. Martel: When we wrote the Inco report we made recommendations to include federal jurisdictions. All we could do is call upon the provincial government to suggest to the feds that it would have to be done.

Mr. Mackenzie: You run into that in pensions--for example, portability--down the road with other provinces.

Mr. Cooke: The federal government has a significant role to play in manpower adjustment. We really have not had much discussion on the federal side. I would not mind some mild criticism of the federal government. If their programs are not all that effective, it would be useful.

Mr. Turner: Rather than the mild criticism, I think we should be a bit more positive.

Mr. Martel: Kick them in the head. But I will accept that.

Mr. O'Neil: You go right ahead and do whatever you want.

Mr. Mackenzie: Gray has not really won a set of negotiations yet. We have been sold out on every one of them. Maybe we should kick him right in the head.

Mr. Martel: After the Douglas thing yesterday, he needs a kick in the head and elsewhere.

Mr. Jennings: On both the termination notice provisions and severance pay there will be discussions of what is going on in other jurisdictions as well.

Mr. Turner: It will not be in isolation.

Mr. Jennings: No. We will show you that summary I prepared before; there may be more detail in that.

Mr. Chairman: Just a quick glance at this: You guys have a hell of a lot of work ahead of you. Are you concerned at all about your own timing?

Mr. Jennings: I have already done some draft work on the descriptive parts, and with those summaries that have been prepared I think it will be easy to pull out the arguments of the groups appearing before the committee.

Mr. Chairman: The interim report you did on your own was good.

Mr. Martel: Could I ask you a question? It is not on the report. I am sure you are aware we will have some differences when we come to the writing of the report.

Mr. Chairman: That ran through my mind too.

Mr. Martel: I thought it might. We will have some differences and I would like to know if it is possible, and I don't want to go behind anyone's back to make this request. From my own point of view I want to pick the brains of our staff in terms of some of the things we have suggested that other people might not.

I want to sit down with them in the next little while but with their feeling relatively free and that they are not doing this in some circuitous way. I want to make that request, that we be allowed to do that without anyone thinking we are trying to utilize the staff. But I want to sit down and spend an hour or so with them.

Mr. Chairman: Would a dinner for all of us help?

Mr. Martel: I don't mean here in the committee, but I am saying there are some ideas that they have.

Mr. Turner: Yes, but we are going to have ideas.

Mr. Martel: Well, you can use them too. I am not objecting to that.

Mr. Turner: No, no. I just wonder if we could have an exchange.

Mr. Martel: Oh, there will be a real exchange when we get to the report.

Mr. Turner: Fine.

Mr. Mackenzie: What we want to do is bounce a few of our ideas off in terms of what they have done here and see how far we want to go.

Mr. Martel: But I don't want to do it behind anyone's back.

Mr. Turner: You are looking for advice and guidance, sort of.

Mr. Martel: Or have them feeling they are being compromised in any way.

Mr. Mackenzie: They have done a fair outline of this.

Mr. Martel: I would like to get the approval of the committee that these gentlemen are in fact free to sit down with us for an hour or so.

Mr. Chairman: Elie, stop me if I am wrong. It seems

unusual that anybody would feel they had to get the approval of the committee to talk to staff, so you are not doing that. You are talking about a caucus, New Democratic Party talk?

Mr. Martel: No, I am not.

Mr. Chairman: Well then, what is wrong with a full dinner?

Mr. Martel: I am just talking about the three of us meeting with the staff.

Mr. O'Neil: You wouldn't want to ask them in front of us?

Mr. Martel: Pardon?

Mr. O'Neil: Wouldn't you want to ask them those questions in front of us?

Mr. Martel: When we come back here, yes. They have followed the hearing and I just wanted to gather from them some of the things we have said. But I want it to be open. Other people should feel free to do the same with the staff. They are not my staff, they are not your staff; they are the committee's staff. If I want to work with them for an hour and a half or two hours, I want them to feel free that they can do that on the straight, knowing full well that I want to ask for that.

Mr. Turner: Yes, but what is the difference between that and--

Mr. Martel: Because I might want to draft something long in advance of coming here to work out the final recommendations. I want to draw on them. They sat throughout the whole thing. I came in late because Mr. Cooke went to the hospital and Mr. Renwick was here. Mr. Cooke then came back and Jim left. I just want to try to bring all the ideas that we have had, the stuff I would be concerned about and bounce it off them.

Mr. Turner: I don't find any objection to it. I am just wondering why you want--

Mr. Martel: I am saying the others you should do the same. I just want the staff to feel free that they can do this and no one thinks there is some insidious plot going on or a meeting behind closed door. The staff might say, "No, we can't do it."

Mr. O'Neil: Give us an example of what you are talking about. Is it something they do that your research staff cannot do?

Mr. Martel: I would have my researcher there. My point is, if I wanted to write something much tougher on, for example, investments in terms of the resource sector--

2:40 p.m.

Mr. Mancini: I think everything should be done in committee. It's a highly irregular practice.

Mr. Cureatz: It sounds to me as if you are going to be writing your own report ahead of time and then when the report comes out and before it is debated, you are going to say, "Here's our report."

Mr. Martel: I might write a whole report. I have been known to make a lot of my own footnoting as I went along that I disagree and I think it should be part of a policy. That might be what I do.

On the Inco thing--Bruce was on that committee--my colleague Mackenzie and I and the other two members of that committee wrote a lengthy portion on our own because we disagreed fundamentally.

Mr. Chairman: My reaction is it's not the same as Elie Martel asking Rick Jennings a question about something. It's not the same as a full discussion of the committee with all of the staff or just Rick about some aspect of the report. And you do have three members of the New Democratic Party requesting a meeting alone, followed by, as you suggested, the five Tories who might be with the staff alone, inevitably you are putting the staff potentially in some difficulties.

Mr. Martel: That is what I'm trying to avoid.

Mr. Mancini: Well, it's completely impossible to avoid.

Mr. Cooke: All we want them for is as resource people at a meeting that we are going to have among the three of us, with our researcher, to look at where we want to see the report to go.

Mr. Chairman: I respect you for asking the way you are doing it. I just think it's a new kind of approach to the--

Mr. Cooke: We did that in the justice committee with the housing report.

Mr. Mancini: I think everything should be done here in the committee. If you have anything to ask, you certainly can ask.

Mr. Cooke: We had three entire meetings with the library people that were the research people on our housing committee, Ed Philip and I and the NDP people.

Mr. Mackenzie: I don't know what the difference is.

Mr. Turner: We are a committee and we were asked as a committee to do certain things.

Mr. Mancini: You guys are trying to pull a cute trick and you are going to put your staff in a very embarrassing position. It's highly irregular. Just a cheap trick, that's all it is. I'm surprised at you, the House leader trying to pull such a cute trick like this. Who do you think you're negotiating with, Bob Elgie?

Mr. O'Neil: Mr. Chairman, and I would direct my remarks to Mr. Martel, don't you think that if you had definite ideas on

certain subjects, whatever it may be, maybe the staff could note those. But I think it would be to everyone's advantage to discuss those things here at the time they are being discussed.

Mr. Martel: That's what we intend to do.

Mr. O'Neil: Why would you want to go ahead and do it beforehand?

Mr. Martel: Because there are certain things in there that I have suggested, that they have followed through, that they have noted; and I want to just make sure I get back to them all.

Mr. O'Neil: Why can't it be done here?

Mr. Martel: Because we are going to be three weeks writing a report here.

Mr. Mancini: No, we are not.

Mr. Chairman: Let me just throw this out. A logical development of what you are talking about is this.

Imagine for a moment that the five Progressive Conservative members on the committee were going to consider a minority party report, a party position--that's contingent upon their finding George Taylor, admittedly--but that the five are going to sit down and meet and start to write down something that was likely going to be a minority Conservative report attached to the final report.

That happens all the time. It's part of this process. For those five Conservatives, with the draft or the final outline of that, to meet with the staff of this committee to help them restructure or correct or make additions, deletions, their minority report takes an extra, I think, unnecessary step, Elie. That's a logical extension of what you are suggesting.

Mr. Martel: If I am going to write a minority report, I will not ask the staff to write a minority report.

Mr. Chairman: Then is it part of the full report which should be discussed with the full committee.

Mr. Cooke: We want them as resource people, not for any insidious plot.

Mr. Chairman: Does the staff have a reaction? I think there are risks to it, personally.

Mr. O'Neil: I think it puts the staff on the spot when we ask them to--

Mr. Mancini: It is a plot.

Mr. Chairman: A socialist plot?

Mr. Mancini: Yes.

Mr. Martel: It is a dirty socialist plot to get--

Mr. Mackenzie: Somebody is scared of something.

Mr. Mancini: No, I am not scared of anything. You just want (inaudible) :-

Interjection.

Mr. Mancini: (Inaudible) but we want it all debated here in the open.

Mr. Mackenzie: Anything we recommend will be, Remo.

Mr. Jennings: I would like to say that I will do whatever the committee decides, but I think that an opinion by us at this stage would not necessarily be--whatever is decided by the committee we will certainly do.

Mr. O'Neil: That is right. There is no need to put you fellows on the spot.

An hon. member: Now what the hell are we going to do?

Mr. G. Taylor: I would fully say though, watching what has taken place on the committee, in defence of the researchers, if they do what is being suggested, I will fully tell you that you will certainly compromise your positions regarding other parties. I put that to you, because those comments are made, even when it is not being done, that which you are presently talking about, those comments are made.

Mr. Martel: You are talking vagaries. Say what you want to say.

Mr. G. Taylor: No, it is not vagaries, if you can understand it fully, Elie.

Mr. Martel: No, I cannot.

Mr. G. Taylor: You have been on sufficient committees where there just has to be a conversation between two people and all of a sudden they have got them where they should not be, and that I would not want these two gentlemen to be--

Mr. Martel: You might have done that, but I would not.

Mr. G. Taylor: They are certainly compromising themselves to do as you are asking them you to do and I would advise them not even to consider it.

Mr. O'Neil: I would not think it would be wrong if I had to give the word about myself, do you know that?

Mr. G. Taylor: That is in reference, I am sure, to Mr. Martel.

Mr. O'Neil: Yes, it is.

Mr. G. Taylor: As far as the other part, I lean toward the chairman's view--

Mr. Chairman: I will change my position.

Mr. G. Taylor: Before you interrupted me earlier, Mr. Chairman--

Mr. Chairman: Elie, where do we go from here?

Mr. G. Taylor: I wish he would go out for a phone call. But getting back to that, Mr. Chairman, it is the fact I might want to ask them to put together thoughts on entirely opposing positions and ask them to argue this, and that, I do not think, is acceptable either to my position or other members of this committee.

Mr. Mancini: I think the report should be done in the traditional manner or (inaudible).

Mr. Chairman: Okay. Can we move on?

Mr. Mackenzie: I just want to be clear in what is the majority opinion of the committee, that it is improper--

Mr. Mancini: Highly improper.

Mr. Mackenzie: --for members of one caucus to ask information of the staff that have worked for this committee.

Mr. Chairman: I did not hear it as asking for information, because we do that all of the time.

An hon. member: That is not what you wanted.

Mr. Cooke: (Inaudible) person who is asking questions.

Mr. Mancini: It is not basically the way it came out.

Mr. Martel: (Inaudible) he had to write one word.

Mr. Mancini: I think you are shifting ground.

Mr. Chairman: Stop me if I am wrong, but as I hear the discussion, there is a feeling here that says that the staff of the committees would be put into a difficult position if asked to meet privately with each of the three caucus groups.

Mr. Cooke: How about a conference call?

Mr. Chairman: I think that is what the committee is saying.

Mr. O'Neil: That is right.

Mr. Mancini: That is right.

Mr. Chairman: That does not preclude consultation in the

hall informally or here formally, because that happens all the time. George Taylor once met a researcher.

Mr. Martel: Jesus, it did not help him much.

Mr. Turner: Well, you do not know.

Mr. Chairman: I am sorry. George keeps pulling in those snide comments.

So that is what I hear. Let us move on.

Dave, you had an outstanding matter from yesterday. Do you want to refer to it?

Mr. Cooke: I was going to raise the matter of whether or not any federal people should come before the committee in order to explain their recent employment (inaudible) announcement of \$375 million, but in looking at the schedule--

Mr. G. Taylor: It is all going to Sydney, Nova Scotia, is it not?

Mr. Cooke: Perhaps it would be important that research take a look at the announcement, and the reaction to it and include it in some way in the report.

Mr. Martel: Do we have to have permission for the committee to ask the research staff to look at that?

Mr. Turner: Just one thing (inaudible)

Mr. Mancini: Now, Elie, take it in good grace. Show some grace.

Mr. Chairman: David made the point yesterday and obviously it is timely, but we have a time problem ourselves. Do you mind? Is there any feeling in the committee that particular motions are requesting the appearance before this committee, recognizing the risks--not risks, the likelihood of them coming? I would be happy to do it, but I cannot imagine we are going to get any of them down here. No?

Mr. O'Neill: On another matter, the week we write the report, are we going to be sitting starting early that week on a Monday and be finished by Tuesday or Wednesday?

What I am saying is if we need more time we should possibly start sitting on Mondays, so we have to sit till Friday and we will have a little more time to work on it.

Mr. Mackenzie: We could sit in the evenings.

Mr. Martel: I do not think I have any more time open. (Inaudible) we have a House leaders' meeting.

Mr. Chairman: At this stage of the game, we have agreed to sit those first three days, Tuesday, Wednesday and Thursday in

February, devoting our full time to the finalizing of the report. We have the outline here. We will not be able to know how quickly we are going to proceed until we get there.

2:50 p.m.

Mr. Martel: There is one concern I have, Mr. Chairman, that when we get the report before us we cannot do what we did last time. It was too quick.

I am slow reader, let us put it that way. I do not want to try to rush through a report the way we did the last one in two hours. With the volume of stuff that Rick is going to have to put together, I am sure there is going to be some editing, changing and so on. I have to read it ahead of time. There is no sense me coming here Tuesday and be handed a draft of something and be expected to start to approve it 20 minutes later.

Mr. Chairman: Can I ask staff, what day would you have the full outline available for us, and do you think three days would be enough?

Mr. Jennings: Certainly by Thursday of next week, which is before we would leave, and discussions would be on the following week, debating the report. You could have the substantial part of the report by then.

Mr. Chairman: By next week, by a week tomorrow?

Mr. Jennings: Yes.

Mr. Chairman: If we had the full of the draft by Thursday next and then we started here Tuesday the third, at 10 o'clock--

Mr. Cureatz: I think that would be a good start.

Mr. Chairman: It would seem to me we have a shot, with three or four days, having had the final draft a few days prior to that.

Mr. Martel: I cannot stay that Friday, by the way, if you are talking three or four days, because I am booked into a two-month engagement.

Mr. Chairman: We may be all booked into a 44-day one.

Mr. Martel: It does not matter, because it happens to be in my own riding and if we are into it I can just stay right there and proceed.

Mr. Chairman: Yes, I understand.

Mr. Turner: Just before we move on, on the employee adjustment, having regard for what we have heard this morning from the Canadian Federation of Independent Business, should we have separate heading, or should we give some thought to the impact

recommendations we make are going to have on small business, or do you want to put that in areas of concern?

Mr. Jennings: Yes, probably areas of the concern to the committee.

Mr. Turner: Would you make that a separate heading for that to highlight it? It is something I feel very strongly about and I really do not how to come to grips with it, to be quite honest with you.

Mr. Jennings: There would be subheadings under the areas of concern for each of the specific areas that we want.

Mr. Turner: There will be subheadings.

Mr. Jennings: Yes, we will discuss that--

Mr. Mackenzie: Why do you not sit down with staff and discuss it?

Mr. Turner: I would love to.

Mr. Martel: Yes, we will give you permission.

Mr. Turner: Would you?

Mr. Martel: Yes.

Mr. Turner: I will sit down and I will talk to someone--I might even talk to you people.

Mr. Cooke: No sinister talk from the Tories or the Liberals.

Mr. Martel: But you have to do it front of us. You see that is how--

Mr. Turner: If you would give me the time, I would love to sit down and chat with you.

Mr. Chairman: I think we have exhausted--

Mr. Martel: Ask the Clerk of the House. He said we are right, that we should be able to use staff, to sit down with them if we want to talk about something.

Mr. Turner: The who?

Mr. Martel: Clerk number one of the House. Ask him if it is not legal.

Mr. Chairman: Mr. Jennings has said that he will be able to have that report for us on the twenty-ninth. We will start on February 3 here. If we require additional time we will have to make it up each of those nights, God forbid, the nights of the third, fourth and fifth, eh Sam?

Mr. Cureatz: I do not know though, Mr. Chairman, I have got--

Mr. Chairman: I think we all do.

Okay, we have two options now to adjourn or to address our attention to the memorandum that--

Mr. Martel: Do you want to dress down (inaudible) before we finish?

Mr. Turner: Sure, I do not think there is time, though.

Mr. Martel: That is why you should be able to sit down and talk to him for an hour if you want.

Mr. Turner: I will.

Mr. Martel: Oh no, you cannot. (Inaudible) just said no.

Mr. Turner: Not necessarily with this staff.

Mr. O'Neil: Mr. Chairman, can we get back to the order of business here?

Mr. Martel: It is an insidious plot.

Mr. Cooke: We do not even get a per diem for that if we meet with them privately. If we meet with them in public we get a per diem. We want to save the taxpayers money.

Mr. Turner: That is my ultimate aim.

Mr. Chairman: John Eichmanis is--

Mr. O'Neil: Mr. Chairman, could we go ahead?

Mr. Martel: If any of these fellows approach you, I want to know.

Mr. Chairman: John Eichmanis has prepared a memo here following from the discussion this morning. I am in the hands of the committee, do you wish to go into it now?

Mr. Cooke: We should make a note of this here on this Hansard notebook.

Mr. Martel: Maybe we could ask John for just a brief summary.

Mr. Cooke: Somewhat of a summary.

Mr. Chairman: Would you like to do that? Sam?

Mr. Cureatz: Sure.

Mr. Chairman: John?

Mr. Turner: Sure.

Mr. Eichmanis: As I understand, there are two documents in question. There is a 20-page summary and the 129-page report. This was referred to in the press and I think it was confirmed, it I am not mistaken, by Mr. Miller yesterday.

As I understand, as I indicated in the background information from the Williams report, the 20-page summary prepared by staff would incorporate advice to Mr. Miller as to how we should handle the conclusions and recommendations that came from that 129-page report. That would be the kind of opinion, advice, recommendations that the Williams commission believes should be made exempt; that is, it should not be made accessible to the public.

On the other hand, the 129-page report, if it is a factual physical analysis of a given problem and is used for background information, then under the Williams proposal that information would ordinarily be made available to the public.

If at the same time, within that factual information, there is information which has been collected, as I think Mr. Miller suggested, under the Federal Statistics Act, then there is a problem with the raw data that is collected by Statistics Canada, and that raw data cannot be released; that is, the actual forms on which information is contained on given companies, profitability and all the detail kinds of things that the companies would provide to Statistics Canada. That cannot be released.

On the other hand, if it is aggregated data which does not reveal what the individual company is up to and what it is doing and how it is doing, then that can be released. For example, if the summary information would include a sector analysis of a given industry which indicates that companies in a given sector are having some problems, but it does not identify a given company as having a specific problem, that summary information could be released.

The Williams commission has a provision where that information which is by law to be made confidential, that information can be segregated or deleted from the report and then the whole report can be released to the public. Those are the basic views of the commission.

Mr. Martel: The statistical material is similar to what we asked Carlton Williams for when he was president of the university when the last select committee I was on was studying the hiring practices of the buddy system and, to prevent identification of the individual staff members, the aggregate figure could be used, but in fact the specifics which would pinpoint an individual were denied at that time. The whole thing was denied and we went to the printers without the statistical information, even aggregated, that we wanted.

Mr. Eichmanis: Let me add that there are provisions in most information legislation against releasing certain kinds of commercial business information, information that if released

would harm the position of a given company. That is referred to in the Williams report. But if the information that Mr. Miller was talking about is collected under the Statistics Act, then that Statistics Act takes care of that interest, comparative harm interest, by prohibiting the release of the raw data.

Mr. Martel: You see, Mr. Chairman, yesterday we were attempting to be co-operative. We said we were not interested in the recommendations and we were prepared to see the statistical documentation from StatsCan removed and what we really wanted was the analysis. I can see no justification for not obtaining the information we have requested.

Mr. Chairman: We are going to hear from the Treasurer.

Mr. Martel: He might send us a copy of this analysis before he makes his decision.

Mr. Van Horne: Is he coming tomorrow?

Mr. Chairman: Yes, I do not know the time. In fact, Graham earlier was trying to-- Mr. Miller is in cabinet and I asked Jim MacKenzie, because I was tied up at lunch, if he would be kind enough to get a note in to Mr. Miller.

3 p.m.

Mr. Martel: Mr. Chairman, you think I was being facetious with the clerk here. We might ask if it is illegal to ask staff of a committee to meet with members of a committee. Is that illegal, John?

Interjections.

Mr. Martel: I want to know what the procedures are of the House. There is a set of rules whether you fellows like it or not. There is a set of rules.

Mr. Chairman: --that they meet with members of the committee.

An hon. member: The precedent has been set.

Mr. Martel: That's nonsense. You were chairman of the committee where they met.

Mr. Turner: Well, not that particular committee (inaudible) or any committee.

Mr. Martel: (Inaudible) end of the committee looking after--

Mr. Mancini: Mr. Chairman, we have already dealt with this matter, a highly irregular proposal to say the least. I am surprised that the House leader for the New Democratic Party would even be bringing it up.

Mr. Martel: Because I have some respect for the rules of the House, maybe it is time you did.

Mr. Mancini: Sanctimonious comments by--

Mr. Martel: You might learn one of the rules, Remo, aside from walking in and out.

Mr. Mancini: Highly irregular.

Mr. Turner: Let the record show that the Clerk of the House chuckled.

Mr. Martel: The Clerk of the House said that it was precedent.

Mr. G. Taylor: They are chuckling at the whole episode, not just at Elie's statement, John.

Mr. Chairman: About that motion.

Mr. Cureatz: The motion to adjourn?

Mr. Chairman: Fair enough. Tomorrow at 10. We did attempt to find out whether the Ontario Chamber of Commerce could be here before 10 tomorrow morning. In that there are five or six people who will be part of their delegation, they couldn't get all of them together. We will be here at 10.

Mr. G. Taylor: Mr. Chairman, is there any way we can backtrack the vote of the House and get you impeached? I was in doubt when I voted for it. It was lucky it was a whipped vote.

Mr. Chairman: At least you voted on something.

Mr. G. Taylor: I was whipped into it.

Mr. Chairman: So tomorrow at 10.

The committee adjourned at 3:02 p.m.

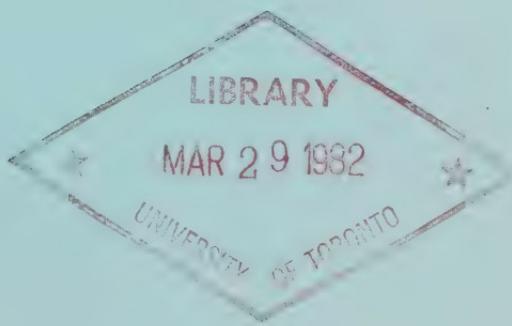
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SELECT COMMITTEE ON PLANT SHUTDOWNS
AND EMPLOYEE ADJUSTMENT

ONTARIO CHAMBER OF COMMERCE
ONTARIO FEDERATION OF LABOUR
INTERNATIONAL ASSOCIATION OF MACHINISTS AND
AEROSPACE WORKERS

THURSDAY, JANUARY 22, 1981



SELECT COMMITTEE ON PLANT SHUTDOWNS AND EMPLOYEE
ADJUSTMENT

CHAIRMAN: McCaffrey, B. (Armourdale PC)
VICE-CHAIRMAN: O'Neil, H. (Quinte L)
Cooke, D. (Windsor-Riverside NDP)
Cureatz, S. (Durham East PC)
Mackenzie, R. (Hamilton East NDP)
Mancini, R. (Essex South L)
Ramsay, R.H. (Sault Ste. Marie PC)
Taylor, G. (Simcoe Centre PC)
Turner, J. (Peterborough PC)
Van Horne, R. (London North L)
Williams, J. (Oriole PC)

Clerk: White, G.

Researchers:

Eichmanis, J.
Jennings, R.F.

Morning sitting:

Witnesses:

From the Ontario Chamber of Commerce:
Riggs, C.G., Director
Rubinoff, R.A., President

From the Ontario Federation of Labour:

Elleene, J., Research Director
Meagher, T., Secretary-Treasurer
Peacock, H., Legislative Representative
Pilkey, C.G., President
Pryde, A., Public Relations Director

Afternoon sitting:

Also taking part:
Johnston, R.F. (Scarborough West NDP)

From the Ministry of Treasury and Economics:

Miller, Hon. F.S., Treasurer; Minister of Economics

Witness:

Rygus, M., Canadian Vice-President, International
Association of Machinists and Aerospace Workers

LEGISLATURE OF ONTARIO

SELECT COMMITTEE ON PLANT SHUTDOWNS AND EMPLOYEE ADJUSTMENT

THURSDAY, JANUARY 22, 1981

The committee met at 10:23 a.m. in room 228.

ONTARIO CHAMBER OF COMMERCE
ONTARIO FEDERATION OF LABOUR

Mr. Chairman: I will call the meeting to order. I apologize for being late. I did, at the request of a couple of members of the committee, just confirm in a phone conversation now with the Treasurer (Mr. F. S. Miller) that in fact he would be here today.

There was a message in my office late last night that he would be here between 4:30 and 5 p.m. I confirmed that with his staff this morning. Some members of the committee had expressed a strong desire that he come earlier. I shared that with him just now.

Very simply, the situation, there is no mystery to this. He with his legal people are in the process of completing their page-by-page review of the documents, or that 129-page document. He has at 12:30 a long-standing commitment with the Premier (Mr. Davis) which was scheduled to go into the evening. He cannot break that part of his commitment, but he will do his best to be here before 4:30.

Mr. Cooke: Mr. Chairman, I don't understand why we even need the provincial Treasurer here. If the legal people have gone over the documents this morning and they report to you--

Mr. Chairman: Are going over them still.

Mr. Cooke: --then you can report to us. We don't need Mr. Miller to come before us again. These constant delays are just becoming a little bit aggravating.

We have looked at the Williams report yesterday, the relevant sections. We have talked about it.

The Treasurer knows our desire to get a copy of that auto report. He can indicate to you as soon as he has made his decision, yes or no, and what parts of it and then the committee can make its decision from there as to what they have to request, either by motion or any other means. This is just absolute garbage waiting until 4:30 or five o'clock for the Treasurer.

Mr. O'Neil: We would agree with Mr. Cooke's comments, and we also feel--

Mr. Cureatz: That it's garbage?

Mr. O'Neil: Yes, I believe it's a little bit of garbage. We made it known to the Treasurer some time ago that we would like

copies of that report. I feel that if he has his legal people going over the report at the present time, he should be able to give you an answer right now whether or not we are going to get copies of that report, minus those statistics which are confidential.

As a committee member, I would like to have an answer before noon today whether or not that report is going to be given to this committee. I feel that we should issue a Speaker's warrant by, say, 12:30 this afternoon, if we have no assurance from him that the report will be given to us today or by the first of the week.

Mr. Mancini: I would like to say that I am very disappointed by the action of the Treasurer. He came into our committee yesterday or the day before, whenever it was, and he told us that we should be reasonable and give him a reasonable amount of time. Now it appears that he is trying to take advantage of this committee. He knows darn well that we finish our hearings today at 4:30 and that we are not supposed to sit again until Tuesday.

I think he is trying to take advantage of this committee. He knew the feeling of this committee. He knew a couple of days ago that we were willing to wait, but also that we were willing to issue the Speaker's warrant if we had to. He has now put us in a position that we must issue the Speaker's warrant, and frankly I kind of resent it, because when he came before us a couple of days ago, he tried to tell us to be reasonable people.

I think he is trying to take advantage of us, and I resent it. The quicker we move on this matter the better it is.

Mr. Chairman: I would like to respond briefly. I don't want, any more than anybody in the committee does, to prolong this important matter, but as I see it, the position the Treasurer has put us in is fairly clear. I try to say this as objectively as I can.

My recollection about a discussion that we had together yesterday afternoon, centring around today, expressed real concern about our time, in that we had three important submissions today, the Ontario Chamber of Commerce and the Ontario Federation of Labour this morning, and the International Machinists Association this afternoon.

Our concern was whether we were going to be able to start earlier in order that we could do justice to all three. We have a busy and full day. I would be prepared to bet, as would anybody in this committee, that we are certainly still going to be in business on or about 4:30. I said that the Treasurer would be here--there is no question about that--that he would endeavour to be here before 4:30.

Mr. Cooke: We don't need the Treasurer.

Mr. Chairman: I respect the point, Mr. Cooke, and I think you make it well. If there is going to be a legal opinion, it is either going to be offered by a lawyer that he sends or by

the Treasurer and a lawyer who come together. Or we may just get the paper. It is going to be one of those three things. But he did indicate that he would come and share that opinion and the papers, all or some, with us. Clearly I want to get on with it. For what it's worth, I, as chairman of this committee and the servant of this committee, do not have one bit of doubt that he will be here. And if it comes to it--

Mr. Mancini: That's not the matter. The matter is the documents that we have been requesting. That's the issue.

Mr. Chairman: He will be here with a decision and/or the documents. It's a question of whether he is going to be here at two or three or 4:30. I just think that we should proceed ahead.

Mr. Cureatz?

Mr. Cureatz: I know other members of the committee are very anxious to get the document. I am fully prepared if the Treasurer shows up, and whatever story he has, with or without his lawyers, to issue a Speaker's warrant right then. The committee will still be in session, Mr. Mancini, between noon and four o'clock.

Mr. Mancini: We have made three requests now, Sam, and the minister knows full well that we have made three requests. I think he is taking advantage of the committee. He knows that we are willing to issue the Speaker's warrant. He came in the other day and he tried to tell us to be reasonable people, and now he is putting us off further.

Mr. Cureatz: Today is the day he indicated that he would appear. Let him come forward and--

Mr. Mancini: That really does not sound like we could--

Mr. Cureatz: We could wait until later.

Mr. Chairman: It is not as if we are going to be waiting here. We are going to be busy.

Mr. Martel: I would suggest that you might confer again later on this morning with the Treasurer and suggest to him that he should indicate, either in writing or verbally, by two o'clock what his intentions are. I am not sure if they are trying to memorize the document. I am not the world's fastest reader but he was here on Tuesday. His legal staff had all day yesterday to consider that document. They now want really a further day, if he comes at 4:30 this afternoon.

Unless they are trying to memorize that document there is something screwy.

10:30 a.m.

We have indicated our willingness to see all the statistics that might be confidential removed. We do not want to use the Speaker's warrant; we indicated that to the Speaker. I am just not

sure what kind of games are going on. When the Premier calls, the Treasurer goes, but he could send a message to us by two o'clock with, if necessary, a legal interpretation appended to it, and at that point we can make our decision. I would suggest I am not prepared to go beyond two o'clock before making a decision.

Mr. Mackenzie: I do not know what the desperation to keep this document from us is because it is obvious, from the first monkey-wrenching we had from the Treasurer, that they do not want to release the document. This committee might as well resign. It would be totally remiss in its duties if it did not have that document.

I also am not prepared to wait beyond two o'clock before demanding a Speaker's warrant.

Mr. Chairman: Again I get the feeling-- I am prepared to call back but I want to make something very clear and as bluntly as I can. I am not in business of carrying messages back and forth. The position of this committee has been put very clearly three times on the phone and once in person to the Treasurer of Ontario. We want the document, it seems to me, and we want the document, as reasonable people, with those necessary portions of it X-ed out.

Mr. Cureatz, a member of the government party, has indicated his inclination to support a motion to get the damned document. We will have something to read, it seems to me. For us to get into a four o'clock, two o'clock thing, I think is not as constructive as it might be.

Mr. Van Horne: Mr. Chairman, I am not sure that we specified anything but the day. It is my recollection we did not put a nine, 10 or four o'clock time limit. It seems to me that beyond that, we get into needless hassles every time we start off a meeting, trying to accommodate the will of one or two of the members here to put pressure on. The pressure is there, but in fairness, the day was Thursday with no time limit.

If he and/or the document are not here by the end of the day, then I think we have every right to go the warrant route, but until that time, until we conclude and give him a fair opportunity, I would say that we are wasting our time and we should get on with our witnesses today.

Mr. Mackenzie: He misses only one particular point and I would appeal to him to consider it. It is simply that if the warrant is not issued until after 4:30, until after we have had the discussion, the Speaker then has to issue it, and those documents will not be available to us before we come back in again next week. We should have a chance to take a look at them.

Leaving it until 4:30 is simply leaving it too late. We just cannot afford to do it as a committee. That document has got to be asked for on a Speaker's warrant and it has got to be done as early as possible this afternoon.

Mr. Chairman: Again it is clear, and it has been for some time; I share the sentiments expressed. Can we carry on?

On behalf of the committee, I welcome the representatives from the Ontario Chamber of Commerce to our hearings. I know that you have been reading at least some of our transcripts and have a good understanding of the concerns of this committee. We appreciate the time you have taken and I apologize for the delay in starting.

Would you be kind enough, Mr. Riggs, when you begin, to identify yourself into the microphone for the record, and perhaps introduce your colleagues, or if they are going to participate in the submission, they might be kind enough to state their names before beginning the presentation.

Mr. Riggs: Thank you, Mr. Chairman and members of the committee. I would first like to introduce the people who are here today at the table.

At the far right is Mr. Jim Carnegie, who is general manager of the Ontario Chamber of Commerce; to my immediate right, Bob Rubinoff, who is president of the Ontario Chamber of Commerce, and on my left, Mrs. Elaine Roscow, who is director of research. I am Chris Riggs and I am vice-president of the Ontario Chamber of Commerce, and I will be making the submission on its behalf.

Mr. Chairman: We have the briefs. I think all of the members have copies.

Mr. Riggs: We have already submitted to the committee a brief setting out our submissions on this matter, so I do not intend to read the brief. I would like to highlight certain points that arise out of it.

As you can see from the brief, we have really divided it into two parts. The first part indicates some of the concerns that the Ontario chamber has about the imposition of mandatory severance pay legislation. The second part deals with some of the concerns that we think should be considered in terms of the form and content of any severance pay legislation.

As far as our objections to the legislation itself is concerned, there are really three points that we want to stress. Firstly, as far as we are concerned, severance pay and provisions dealing with payment to employees on termination is something that is best taken care of through the process of collective bargaining, and in fact, that is being done in numbers of collective agreements. The point has to be made, though, that trade unions traditionally have not considered severance pay, in many circumstances, to be a priority item, and have stressed wages and benefits in other areas, rather than protection by way of severance pay.

The second point in terms of our general concern relates to cost, and cost can take two principal areas, the first of which is the cost to the employer in doing business, the cost of coming into business and the cost of going out of business. The second aspect of cost which concerns us is in terms of the effect it has on attracting new investment to this province, on potential

decisions to invest here and the consequences in terms of the creation of new jobs.

When we are competing with other jurisdictions in this country and in the United States for new or additional capital investments to create new jobs, we have to be concerned about the effect that additional costs of doing business here have on those decisions to invest.

Our third general concern about legislative severance pay relates to legislation in force here and in other jurisdictions. We say you have to be concerned with what legislation is elsewhere before you impose further mandatory provisions here. As this committee well knows, there is no jurisdiction in this country that has notice requirements with respect to either individual termination or mass termination provisions which go beyond that now provided for in Ontario. In fact there are a number of provinces in this country at the present that have no provision on mass termination whatsoever.

None of the 10 provinces currently makes any provision for severance pay. The only provision for this is under the Canada Labour Code, which applies to employees under federal labour jurisdiction.

In the United States there is no comparable legislation, with the possible exception of provisions on severance pay in the state of Maine. When one looks at the provisions governing legislation in this area, Ontario already has provisions which are at least as good as those found in any of our competitive jurisdictions.

Those are our general concerns about mandatory severance pay. We have also noted concerns in the brief with respect to the form and content of severance pay. As regards the rationale for it, it is our understanding from the discussions already before your committee that the basic rationale for severance pay is to provide some kind of cushion for employees who lose their jobs and require to seek new employment. In our submission, that is really the same rationale that applies to the current provisions with respect to notice or payment in lieu of notice of termination of employment.

So when we discuss the question the committee raises as a concern, whether or not severance pay should be considered to be in addition to the current provisions in the Employment Standards Act on payment in lieu of notice, what we say is the purpose is the same. In many cases it is impractical for an employer to provide notice and have to pay employees. To require an employer to pay employees in lieu of notice, as well as providing severance pay, would be punitive.

We have set out in our submission certain concerns we have about the application of severance pay. We suggest that severance pay should only be available in the event of termination of employment. That is what severance pay suggests. If you apply severance pay to a layoff situation, what you are doing is imposing on the employer the possibility that he is going to have

to pay multiple severance pay payments to the same group of employees. We suggest that there should be a minimum period of continuous service before there is an obligation to pay severance pay. As a matter of fact, that is what the Canada Labour Code does now, only it is a five-year provision.

10:40 a.m.

We have suggested also a number of areas where severance pay should not apply. I am not going to go over them in detail as it is set out in the brief. If anyone asks any questions we would be happy to deal with them.

We would suggest an exclusion for such circumstances where an employee is charged for cause; where he is employed on a fixed-term basis, seasonal, or part-time employment; where the business is sold and where provision is made for employment of the employees in a new business, where employees are covered under provisions under collective agreements; and where the closedown comes as a result of labour disputes.

In terms of the level of benefits, undoubtedly there is a tradeoff here in terms of cost to the employer and in terms of providing benefits. In our submission the way in which this should be approached is to provide a maximum period of eight weeks. That is the same provision, as you will note, that is found in the federal legislation.

The Ontario Chamber of Commerce represents a large number of small employers and we are particularly concerned about the position of the small employer. We have noted in the interim report of this committee the reference to an exclusion to companies with less than 50 employees. We certainly think the legislation should exclude companies at that level; probably it should exclude companies with more than that. The main legislation talks about 100 employees.

The reason for this is quite clearly that a small employer has considerably few resources to weather economic difficulties, particularly where the problems can arise when he is going out of business. The position of small businesses is of particular concern to the chamber.

We have referred to the role of government in this area and we are supportive of the provisions that are contained in Bill 191 with respect to the establishment of manpower adjustment committees, the amendment to section 40 of the Employment Standards Act. We would hope that there will be provisions in force through co-ordinated efforts by all those who should be involved in job creation, whether it be the ministries of Labour, Industry and Tourism, or Education, as well as representatives of the parties and the local municipalities and the federal manpower authority.

Along with discussion of severance pay, your committee has discussed the whole issue of justification for plant closings. From our point of view in the Ontario chamber, this is one of the particularly difficult areas and one on which we have extremely

strong feelings. From our point of view, not only would the imposition of these kinds of provisions represent a fundamental departure as far as our investment climate is concerned, but the practical obstacles to the operation of this kind of legislation would be virtually insurmountable.

What, for instance, would be the criteria for justification? Are you going to say that declining markets or tariff barriers or insufficient return on investment is a sufficient reason for closing down?

If justification is not acceptable according to these criteria for whichever agency is going to make these decisions, what do you do then? Do you say the employer has to stay in business until such time as he can lose no more money or his costs have completely defeated him or do you put it into the hands of some kind of government agency to run it as a losing proposition?

What we say, both theoretically and as a practical proposition, justification laws are just impractical. You cannot make them work and they represent a fundamental departure in the way in which we do business in this province.

That represents some of our views on this area. Rather than addressing the committee any further, if there are any questions, we would be most happy to answer them.

Mr. Martel: It will not come to you as a surprise that I have some difficulty. Let me ask you the first question.

Has the chamber ever considered the costs to families, to communities, and to local, provincial and federal governments, the real cost of plant shutdowns? Have they ever attempted to get a handle on that? Who ultimately should be responsible for picking up the pieces?

Mr. Riggs: There are a number of points involved in that, Mr. Martel. One of the problems in the whole discussion of a severance pay fund in plant shutdowns is that the cost is something that is extremely difficult to predict with any accuracy.

There are costs not only to the employees, but there are presumably costs to those who are running the business. There are costs to the community and costs to the Treasury. I am not sure you can come up with any once-and-for-all decision as to where the costs are borne. They are undoubtedly borne by employees; they are borne by employers and they are borne by the state and by the local municipality. There is no doubt there is a cost borne by everyone.

Mr. Martel: But have you ever tried to calculate what the costs are?

Mr. Riggs: In dollar terms?

Mr. Martel: Yes.

Mr. Riggs: We have tried to do some costings. One of the problems in this whole area of costing is that it is extremely difficult to be precise. For example, one of the things we would very much like to get a handle on in terms of cost, and I am sure the committee would too, is how many potential employers would have come into this province or would not come into this province because of legislation like this?

We think there is not much doubt that if you put in legislation like this there will be an incredibly high cost to those potential investors who would come to this province otherwise. Now can we get a figure on that? I think that is going to be impossible to do, but I think common sense is going to indicate it is going to be a substantial cost.

Mr. Martel: Let me go back to it. What this committee has to grapple with and what society and governments in general have now got to grapple with are the costs.

For example, if we look at the Windsor area with 25,000 people unemployed and the costs for welfare, unemployment insurance, relocation, retraining, the loss in tax revenue to the municipality, the cost to the province, the cost to the federal authorities, I would think that we might find that those costs are so horrendous--in fact, I am convinced that that is why we don't try to get a handle on the costs--that they would force government to respond in any more positive fashion.

I look at my own municipality, which is a small community of 4,000 people, where there was a mine shutdown, despite making \$6 million profit the year before the company shut the doors and walked away. The guys lose their homes. They can't relocate. They can't travel to and from work.

Mr. Riggs: From where?

Mr. Martel: From Capreol in northern Ontario to Toronto.

Somewhere along the line we can't say the costs are going to frighten off industry until we know what the real costs are to society for those types of shutdowns. We are putting blinkers on when we do that. It might mean government intervention in a more positive fashion to ensure that a plant stays solvent if need be, or that it be sold through assistance provided through ODC or some other organization to guarantee that particular corporation stays in business.

Mr. Riggs: Mr. Martel, there is no argument from us in terms of the social cost. What I would say to you is that unless you have a healthy business sector that is functioning productively and efficiently, then you are going to have ultimately considerably greater social costs.

Undoubtedly, there are social costs and to some extent already there is legislation to deal with those social costs. Unemployment insurance would be one and of course the discussion on this committee is in terms of severance pay. The provisions made in Bill 191 for the manpower adjustment committees are one

way of attempting to deal with the social cost that arises in a plant shutdown. I don't take the position that this is a proposition where the social costs are all borne by one group and not by the other. They are shared and they have to be.

Mr. Martel: I don't think we are even coming close to getting what the costs are. I think once we get that we will see an even greater need for some form of assistance. I am not talking just about severance pay because to me that is just a stopgap measure which we moved for. I would much prefer to see more jobs created, utilizing funds in that avenue. Most of the people who want to work and do not want to sit at home.

10:50 a.m.

I want to go on to a couple of other areas. A couple of things bother me.

You suggested that people could negotiate severance pay if they so desired. There are no more than 38 per cent of the working people in the province organized. What do you do with the other 62 per cent? Who negotiates for them.

Mr. Riggs: In fact, there are a number of organizations that are not organized where severance pay provisions are put in as a matter of company policy. It is not something that is particularly unique to the organized sector. As far as employees generally are concerned, we would look at the provisions now in the Employment Standards Act in terms of providing notice or payment in lieu of notice as being the best way to deal with problems of dislocation as far as payments to the employees. I would say that is the way in which the money is best spent.

Mr. Martel: But there are too many places where people are not protected, where the company has not decided to put in severance pay and where there are no unions involved. Where unions are involved, we looked at companies that came before us. You suggested they should negotiate it.

Mr. Riggs: I am not suggesting they should. I am saying that if they decide that that is one of their priorities, then let them negotiate severance pay. In practice, of course, in many collective agreements the union has decided there are other things it wants more than severance pay.

Mr. Martel: Yes, they want a living wage. Some of the companies we had before us were paying \$4.09 when they left just this year. Now what do you negotiate, enough to keep up with the cost of living or severance pay?

Mr. Riggs: Let me put it this way. You are going to find examples of employers paying \$4.09 and you will probably find examples of them paying \$3.50 an hour. You are always to have examples of employers that pay at that level and you are going to have examples of employers who pay \$8 and \$9 an hour.

You are going to have situations where employees prefer, or the trade unions on their behalf prefer, to negotiate wage rates

at that level rather than to put their resources into severance pay. If that is the choice they want to make, that is fine.

Mr. Martel: Who protects them if they cannot live on \$4.09 an hour and they do not have a union, or have a union, and that is the base rate? Who protects them once the crunch comes and a Bendix picks up its marbles and goes home without notice?

Mr. Riggs: They are protected now under the Employment Standards Act as it is.

Mr. Martel: In what way?

Mr. Riggs: As I have already indicated, provisions now governing notice on termination of employment are better in this province than anywhere.

Mr. Martel: But does that make them good?

Mr. Riggs: Let us put it this way. In an ideal world there would be no layoffs, there would be no inflation and there would be no unemployment. We are not living in an ideal world and we have to make tradeoffs.

One of the tradeoffs that I say we have to make is we have to look at what kind of provisions our competitors have as one of the considerations that affect the kind of legislation we have in this province. It is already, as far as we are concerned, the best legislation. That is a fact that you have to take into account.

Mr. Martel: Even if it does not meet the needs.

Mr. Riggs: Mr. Martel, meeting needs is something where it will always be possible to say there will be greater needs that should be fulfilled in other ways. This is a tradeoff situation. You are going to have to provide certain needs and you are also going to have maintain an investment climate that will create investment and create new jobs. That is the tradeoff. If you do not get the new jobs--

Mr. Martel: The thing I have difficulty grasping with in all your answers is that you keep talking about tradeoffs, but for the guy who is out of a job and loses his home, what the hell is the tradeoff? Who picks up the tab? Who picks up the pieces?

Mr. Riggs: Undoubtedly, if a man if unemployed and he has lost his job, there are all kinds of problems. I do not argue with that.

Mr. Martel: But that is what we have to grapple with. We cannot grapple with tradeoffs. We have to deal as a committee with the real world and what is happening to people.

Mr. Riggs: Legislated severance pay is not going to deal with that though.

Mr. Martel: I would much prefer more jobs but there have been more bloody reports in this country than enough saying that

our whole economic structure is crazy. It has to be reversed but nothing is happening. I sat on a select committee for four years and looked at economic nationalism. I do not think two recommendations out of 21 reports have been implemented.

Mr. Riggs: And the point I am trying to address in answering questions is whether or not severance pay, if it legislated in this province, is going to help solve those problems. I do not think it is.

Mr. Martel: It is not going to change the economic structure one jot. All it is going to do is provide a buffer. I do not like the tradeoff, when we talk about tradeoffs. I do not like providing a buffer because it is not what workers want, workers want jobs.

Mr. Ramsay: Mr. Martel, could I have a supplementary? I thought you would have asked this question by now.

Mr. Martel: I am coming to it if you are talking about the \$700 million, I have got that down too. I am coming to that one because I want some justification of how that figure is arrived at.

Mr. Ramsay: I will leave it for you then.

Mr. Martel: It was my next question anyway. I want to know how the chamber got to a figure of \$700 million annually.

Mr. Riggs: Let me put it this way: The figure of \$700 million was a preliminary figure that was arrived at when the discussions were first starting as far as the whole severance pay, plant shutdown issue was concerned. The way we derived that was quite simply this.

What it did was to take approximately the number of employees in the labour force in Ontario, leaving out the agricultural and the public sector, and take the average wage in the province, making an assumption that employers would be required to fund and that all employees would be getting at least one week's severance pay out of the scheme.

If you take an average industrial wage, which I think I am being a little conservative in taking this at \$269, and you take the number of employees in the province who would be affected as being approximately 3.75 million, you will get a figure, according to our estimates of around \$705 million.

Mr. Martel: Annually, I think you said.

Mr. Riggs: No, this would be a cost of \$700 million if you make those assumptions. It may well be that if you take the average payment that would have to be made to employees of more than one week, you would in fact go considerably above that. That is an assumption that everyone is going to be getting at least one week on the assumption of that average with those employees affected.

It would now appear that may be not the form that any legislation will take, in which case, of course, the \$700 million will have to be modified, but that will depend on the form of the legislation, and obviously it will depend on the number of employees who would ultimately be affected by it.

Mr. Martel: That is the key issue, is it not, the number of employees who would be affected? When you throw out a figure like \$700 million you scare the hell out of everyone. I am not sure if that is designed deliberately or not, but when you bandy that figure around everyone gets in a panic and says that you are scaring everyone off, you will ruin the economic climate, you will do horrendous things with that figure.

Mr. Riggs: I did not raise it in the brief, you will notice.

Mr. Martel: I understand you did not raise it, but I also go back to last November and December when this figure was bandied around almost daily and it was going to bankrupt everyone.

It bothers me that that sort of thing, when people are grappling with what I think is the most serious problem confronting Ontario today, loss of jobs, and that figure is thrown up as a sort of smoke screen. It really frightens anyone trying to rationalize something that would protect employees when you look at the long term--and you will notice I keep talking of the long term--of restructuring the economy, because whether it is justification, whether it is pension portability or whether it is severance pay, my real desire is the creation of jobs and not these things which only ameliorate the situation for a little while.

We are caught on the horns of a dilemma, that we have to protect people because not only would the employers pay, but the state is paying and everyone else is paying, so the whole thing is wrong. But what do you do? When you throw \$700 million at us, obviously the government almost panicked in the face of that proposition.

11 a.m.

Mr. Ramsay: Could I have my supplementary now? You indicated earlier in your remarks that you were not sure as to whether or not the severance pay would apply to extended layoffs or whether they would simply apply to plant closures. When you were coming up with that \$700 million, were you taking into consideration severance pay for extended layoffs or multiple severance pay as you described it?

Mr. Riggs: No, that wasn't addressed at that point, Mr. Ramsay. The way it was addressed is on the basis that you take all the labour force in Ontario and you assume, given an average industrial wage for the week, that it would apply at least a minimum of one week for all those employees.

Obviously, that is an estimate that would have to be increased in terms of some employees who would get more than that,

whose employment would have been for a longer period of time. Some presumably would get none, because they wouldn't be there for that period of time. But it would be certainly a figure, an amount that an employer at some point would have to pay on that basis, because if an employee at some point has to leave and is accumulating at the rate of one week per year, you can assume that that figure will continue to accumulate year by year.

Mr. Ramsay: Do you feel that we are studying the problem of severance pay for extended layoffs? Did I get that suggestion from your brief?

Mr. Riggs: No, I hope you didn't. Obviously one thing the legislation and presumably this committee has to determine is what kind of definition of severance, or the circumstances under which severance pay would apply. What we say is that severance pay should apply where employment is terminated or where, as the word suggests, employment is in fact severed and not in the event of a layoff.

Mr. Ramsay: You used the term multiple severance pay.

Mr. Riggs: Yes, multiple severance pay; the reason I said that is if you apply severance pay on a layoff, effectively what you will put the employer in a position of is multiple situations where he may be paying severance pay a number of times to the same employees who may have been laid off and then brought back to work.

Mr. Ramsay: I agree. Thanks, Mr. Martel.

Mr. Martel: Let's go back and pick up a couple of pieces on this. Have you arrived at a more, and I hate to use the word, conservative estimate now?

Mr. Riggs: No, I don't think, Mr. Martel, there is any value in attempting at this stage to come up with any more specific figures.

Let me put it this way. Undoubtedly the figure is going to be considerable in both approaches to cost, both in terms of going out of business and in terms of attracting new investment. But as far as putting specific figures, I am not going to suggest any more.

Mr. Martel: Did you see that--and again I am just trying to understand what you were doing--as an annual cost, or let's say every employer had to put this down to cover all their employees. Did you do any calculation what a second year might cost?

Mr. Riggs: No, this would be treated as an annual cost. As I was saying to Mr. Ramsay, if you are accumulating at the rate of one week per year and you have that many employees and you were going to apply severance pay to everybody, presumably the cost is going to come up year by year.

That is putting it, of course, on the assumption that you are going to apply it to everyone. I want to make that clear. I

would expect the form of the legislation now will indicate that not every employee is going to be covered, so you can reduce that.

Mr. Martel: Let's say it applied to everyone, just for the moment. Are you telling me that would be an annual cost of \$700 million?

Mr. Riggs: That's right, because I am saying that that obligation will come up year by year. If you worked another year, then of course there would be another obligation to pay.

Bear in mind too, there is one other factor, and that is of course the obligation. This was talked about certainly at the beginning, an obligation on the employer to fund. If you have to fund entirely on that basis, what you are going to be doing is, the employer is going to have to be kicking in that money every year to presumably to some kind of central fund on the basis of the number of employees he has and on the basis of their years of service.

Mr. Martel: Let me ask just one final question, totally unrelated.

How does the chamber perceive the reduction, the further reduction of protective tariffs affecting Ontario as a result of the GATT agreement? We have been told by a number of university professors and so on that there will be more companies who will simply rationalize--particularly the multinationals, and I am talking about Canadian firms--do like Bendix, or do like Essex and rationalize, go back to the United States as the tariffs diminish and simply ship in to satisfy the Canadian market.

Mr. Riggs: On that I had better defer until the chamber has considered that one as a group. I am not sure that my comments on that would necessarily be the chamber's. So I think I had better defer, if you don't mind, on that one.

Mr. Mancini: Mr. Riggs, you have talked this morning specifically about two items that I would like to bring up again. You have talked about tradeoffs and you have talked about attracting business to Ontario and being in a position to be able to attract new business in Ontario which would, in effect, create new jobs. I would like to address those two particular items right now.

First, I would like to address the issue of attracting business. Are you familiar with this book?

Mr. Riggs: I think that is put out by Industry and Tourism.

Mr. Mancini: Yes, this is called The Fact Book.

Mr. Riggs: I have looked through it; I won't pretend that I have read it word for word.

Mr. Mancini: "Why and How to Set Up Business in Ontario." I have made some notations in various parts of the

document. It was put out last year, some time, by the Ministry of Industry and Tourism, and basically, the document is a compilation of facts given to businessmen and people interested in investing in Ontario and it tells them why they should come here. I will just quote from some parts of the book.

"Ontario: Closer to the bulk of the US market than Florida, Texas or California; 48.5 per cent of the total US population lives within one day's trucking of Ontario."

Then we go to the section called, "Human Resources." It says: "Lower labour costs in 1978; our average hourly pay for workers in industrial production was \$6.15 US an hour; 37 cents an hour less than the US average; from 33 cents to \$1.81 less than the rate in the Great Lakes states adjoining Ontario."

Moving further, and I quote again, "On a US dollar basis, Ontario's manufacturing unit-labour costs fell by 4.5 per cent in 1978, but they climbed 7.7 per cent in the US; 15.6 per cent to 20.4 per cent in France, Italy and West Germany; 25.1 per cent in Japan and 25.6 per cent in the United Kingdom."

Under the very important heading of Energy: "Secure energy resources: Ontario provides 20 per cent of all its primary energy requirements. Sixty per cent comes from other parts of Canada."

Under the heading, Incentives: "Companies may write off 100 per cent of current and capital expenditures on R and D in the year of the outlay."

Moving further, under the heading of Taxes: "Corporate income tax as a percentage of book profits for manufacturing companies, 1978: Ontario, 31.9 per cent; Texas, 37.6 per cent; Ohio, 41.3 per cent; New York, 43.1 per cent."

11:10 a.m.

One final quote, Mr. Riggs, under the heading of Setting Up Business:

"No foreign restrictions, none. You are free to deploy the money you make here as you see fit. Profits, dividends and royalties may be remitted at will."

Then there is another section here I would like to quote, and that will be my final quote, Mr. Riggs.

It says: "Study Proves it is Far Quicker And Cheaper to Build in Ontario.

"In a detailed 1979 case study, the British developer, Slough Estates Limited, compared factory construction costs in key foreign jurisdictions, building costs, procedures and implementation periods."

Mr. Cureatz: The question is coming.

Mr. Mancini: I would like to, for example, tell you how long it would take to build a 50,000-square foot building in

Ontario as compared to other jurisdictions. I know Mr. Cureatz is vitally interested in this: UK, 97 weeks; Australia, 77 weeks; Belgium, 41 weeks; USA, 38 weeks; France, 43 weeks; Germany, 51 weeks; Ontario, 27 weeks.

When we talk about incentives and doing things which will be able to attract investment and attract business and trying to create a good business environment, I think that the Ministry of Industry and Tourism, in its Fact Book, explains in detail many of the incentives and many of the attractive features that we have here in Ontario. When we then talk about tradeoffs, I think the tradeoff of a severance pay, in case of a plant closure when compared to this, is a fair tradeoff, and I would ask for your comments.

Mr. Riggs: Sure. Mr. Mancini, I, myself, think that that Fact Book put out by the Ministry of Industry and Tourism is an excellent book. It is--

Mr. Mancini: Do you agree with everything I have quoted?

Mr. Riggs: No, I am not saying I agree with everything you have quoted.

Let me put it this way. That book is a book that I would presume and I would hope would be used to help to sell Ontario to potential investors. If it helps to do that job--but as I say I think it is an excellently produced book--if it helps to sell investors into coming into this province, then it has done a terrific job. I am sure the ministry should be commended for doing it.

But--let me put it this way--while we are going to be selling Ontario and maybe using that book to help us do it, there are going to be people from New York state and people from Ohio and Michigan who will say to potential investors: "Not only are these the things we have in our jurisdictions, but did you know that in Ontario they are now considering having legislation about justification of plant closing? And did you notice in their booklet they said that you are free to deploy your funds as you see fit? Did you realize, as substantial investors, that that may no longer be true, you may have to justify your plant closings? And did you know, by the way, that even though there is no severance pay in our jurisdiction, there is going to be in Ontario?"

In terms of the tradeoff or the use of that document to attract investment, we have to recognize that people who are competitors are going to be pointing out the disadvantages to potential investors. But I think it is an excellent book and I hope it works. But I think other people are going to be pointing out the limitations, and I want to minimize the limitations.

Mr. Mancini: Right. When we looked at the area of taxes, at the area of hourly cost of wages, at the area of construction, the area of transportation, the area of energy, I find it very difficult to believe that an investor who wants to invest his money and create a viable operation that will operate for a long,

long, long time, would look way down the road and say, "Oh, jeez, what happens if I close my plant?"

I do not think the investor invests with that thought in mind. I think the investor invests with the thought in mind, "How can I get my initial investment back as quickly as possible?" And when he looks at hourly wages, and when he looks at construction costs, those are going to give him the answers.

It is true, the development commissioners in the Great Lakes states and in other parts of the United States are going to point out all of the disadvantages that we have. But I think when we talk about tradeoffs, and when we say it is not a perfect world, and when we look at The Fact Book, I think the tradeoff may be a fair one.

It may be not exactly what you like or exactly what you think we should do, but when we talk in those terms, I think we could come to the conclusion very easily that it would be a fair tradeoff. We would certainly possibly have to find out what other information is available on these other states, if wrong information was being given to the business community. But I believe The Fact Book was put together to put out all the information, and I think it does that.

Also I would like to just touch on, for a moment or two, the area of justification. You mentioned that in earlier comments, and you also brought it up in your discussion with myself. Do you envision justification of closure under any set of circumstances?

Mr. Riggs: Justification of plant closure?

Mr. Mancini: Yes, sir, under any circumstances. Could you possibly conceive of any set of circumstances where a corporation would have to give justification for closure?

Mr. Riggs: No, Mr. Mancini, I would not. I think that the problems and the practical difficulties of justification laws would outweigh any advantage that can be shown for them.

Mr. Mancini: So there is absolutely no set of circumstances that you could conceive, then, where justification--

Mr. Riggs: If you could present to me a most extreme situation as a limiting case, I would probably have to concede that you may have, and undoubtedly do have, in this province, as you do anywhere, employers who do not act as responsibly as we might hope them to act. If I am faced with a limiting case of an employer who has acted irresponsibly, I would--I am sure the chamber would--be embarrassed about it and the business community would be embarrassed. But I would not take that as a good enough reason to impose justification laws.

Mr. Cureatz: Centring in on page 16 of your brief, brings to mind part of the presentation that was brought forward yesterday. It more or less follows the same line of questioning in regard to justification. You have just indicated to Mr. Mancini that no doubt a particular set of circumstances could be conjured

up so that you could, in fact, see some kind of justification for plant closures. But those justifications would not be reason enough, as I understood it from you, to have justification.

But what about trying to limit justification? Would you be receptive? Or what are your thoughts in terms of, be it foreign, international corporation, the United States, Sweden or the like, of having some kind of a review process and not harming our own local industries; the people who you represent?

Mr. Riggs: I am sorry, I have lost the thrust of your question.

Mr. Cureatz: The point is, you are saying carte blanche there should be no justification legislation.

Mr. Riggs: Yes, I am.

Mr. Cureatz: Would you consider any kind of legislation that would be partial justification limited to those corporations that seem to be making decisions outside of Ontario, when those decisions have very serious implications in Ontario?

Mr. Riggs: No, sir, I would not exclude those. In fact, I think you had representatives of a number of companies who appeared before you before Christmas, where investment decisions were made presumably, in many cases, in the United States, and where they indicated to your committee, and certainly your interim report indicates, that there were severe economic problems involved in continuing to operate.

So, I would say to you even when you have investment decisions being made, not only in Canada but elsewhere, you are going to say because these investment decisions are being made elsewhere, the company may have to continue in business. I say the problems you are going to run into, the practical problems of implementing that, would be absolutely immense.

What are you going to say? "We do not think the reason is good enough; therefore we are going to force you to carry on until you go bankrupt"? Or you are going to say, "The government will take it over"?

11:20 a.m.

It really comes back as well to the point Mr. Mancini raised of what are you going to do then, particularly if you are going to tie this in to companies that are related to companies outside Canada. You are going to give the opportunity to people in the Great Lakes states to say, "Look, if you go to Canada, you, as an American company, are going to be put in the position specially--not a position that a Canadian company would be put in, but you as an American company are then going to have to specially justify the continuation or the cessation of your investment."

I do not think that is an Ontario function to do that at all.

Mr. Cureatz: Do you feel that Ontario might be

disadvantaged if an international corporation with its head office in, say, France takes a look at whatever it has to do to streamline its international corporations, and since there is justification legislation in France and in Sweden or wherever, but there is none in Canada--specifically Ontario--it decides, "Let's take the easy route; we will shut down in Ontario and we can carry on in the other countries"?

Mr. Riggs: I can see probably you do have this justification legislation elsewhere. Quite apart from the practical problems, I would think if the real concern now is attracting new investment, particularly in terms of the alternative the entrepreneur may have to go, let's say, to the Great Lakes states, it is a question of our having the justification legislation and their not having it. Then I would come down on the side of not having justification legislation. In terms of getting new jobs, that kind of legislation is going to have a negative impact.

Mr. Ramsay: I asked some of my questions as supplementaries earlier, but I have one other dealing with some comments you made about the role of the federal government in jurisdiction. There has been an announcement within the past couple of days about some changes in the federal approach to some of these problems. Have you taken those into consideration in writing your brief?

Mr. Riggs: No, Mr. Ramsay, they have not been taken into account. The only references I made to the federal government have been in terms of, we would hope, the participation by both the provincial and the federal authorities in terms of the manpower adjustment committees.

As you know from the submissions that were made to your committee by the Minister of Labour (Mr. Elgie) in November, the Ontario ministry participates in various committees and manpower consultative services with the federal government. I would hope when the manpower committees are set up, if they are under Bill 191, that the federal government will be pretty strongly involved in that.

Mr. Ramsay: At one point in your brief you referred to a minimum of five years' continuous service with the employer, as in the Canada Labour Code, before any kind of severance pay can arise. If I read the press reports correctly, that has been reduced to one year, hasn't it?

Mr. Riggs: There is some discussion of it being reduced. I do not know what the status is. There are task forces or discussions going at the federal level about the whole area of termination of employment.

What I am saying is that the Canada Labour Code now provides, in section 61, that there is a five-year requirement of continuous service. That is why I referred to that.

Mr. Ramsay: You say "discussions." I thought that these

were initiatives that were introduced by Mr. Axworthy earlier this week.

Mr. Riggs: If they are, I am sorry, I am not aware of the details of that. I was just talking about the current legislation. I know there have been discussions. If they have gone further than the discussion stage, I am not aware of it.

Mr. Ramsay: I think they have and they include extended severance pay. When I say "extended," I mean extended beyond the present provisions.

Mr. Mackenzie: I am wondering if there is any feeling on the part of the chamber that our economy is in any trouble--or do you not see that as a concern?

Mr. Riggs: Maybe Mr. Rubinoff will answer that one.

Mr. Rubinoff: We definitely are concerned. We feel our economy is pretty flat right now. We want that growth the same as everybody else. If there is something that all of us have in common, is that we want full employment in this province. We are concerned with the economy as it is right now.

Mr. Mackenzie: I am glad we agree on that because I think we are in real trouble.

I had a conversation with a senior management person in one of the two steel mills in Hamilton just last night who indicated there was great concern over the Canadian economy. Certainly I see it in my constituency office; I suspect most of us do. I am seeing the real problems of real people, and the number of people coming in is increasing, in terms of looking for jobs, how they get by, the kind and level of assistance we have, and how long they survive after they have lost a job or a plant shutdown or closure.

You suggest that it would take some fundamental changes that would be dangerous for our economy. I am suggesting that what is happening now, the system that is operating in this economy, is not working. I look upon you people, maybe unfairly, but as one of the foremost business community's organizations in the country, the chamber of commerce, probably on the same level, in my mind, as the manufacturers' association.

I really do not know what you are doing to resolve the problems and I have to ask you when I look at your brief, where there is a real attack on the severance pay bit. The whole thing seems to be fear. Whether it was the \$700 million you came out with initially, or the claims that if we do any of these things to protect workers in the communities, we are going to stop investment in this province and this country. I do not see any industrial strategy in there other than, "Let's not put any restrictions in so we can promote more investment." Do you think that is the answer?

Mr. Riggs: I think that it would be fair to say, Mr. Mackenzie, that as far as this group is concerned, we have attempted to draft some of the problems that were raised in the

severance pay discussions and some of the questions that your own committee raised in its interim report in December. So if this addresses severance pay, it is because it intends to address severance pay.

Mr. Mackenzie: I have not seen, and I have been watching--admittedly I cannot read everything--but I have not seen any outline other than, in effect, begging for no restrictions on business. I have not seen any plan laid out to get a handle on our own resources or our own economy to provide those kind of jobs, or to see that there is some decision-making process in this country. Maybe you do not feel that a nationalist element is important.

Let me put it in context. The thing that I think struck every member of this committee, regardless of the positions they take, were some of the indications we got that the Canadian management did not even know what was going on. Essex Wire is a good example of where consultation was zero.

In the case of Bendix, the Canadian president, Mr. Smith, said: "Yes, we have made money almost every year we have operated. We are making good money. We have refurbished the entire plant." But he was given, on May 28, exactly two weeks' notice by the American plant to tell why he should not shut that operation down, and then it was shut down. When we said: "What input was there? Was there any advance indication to that two weeks' notice to report why you should not shut it down?" The answer was, "Not a word."

No Canadian management in many of the plants before us have had any input whatsoever into the decisions to close. We are really the colonials in this operation. Is that not a concern?

Mr. Riggs: Of course, it is a concern. I think anyone in this province has to see that kind of situation.

I mentioned to Mr. Mancini that you are going to get individual employers in this province whose actions may not be those of a responsible employer. I am not referring to people who have appeared before your committee.

Let me put it this way. You are bound to have situations of bad employers. This is embarrassing to the Ontario Chamber of Commerce as much as it is a concern to your party, Mr. Mackenzie. That, it seems to me, is taking a limited case to argue the point.

Mr. Mackenzie: The argument you have been making really is the supremacy of business and the right of business to make the decisions. Mr. Smith of Bendix ended up saying--I thought he was one of the more straightforward witnesses before us--"I thought we could make even more money in this plant. It was making money and we had refurbished the entire plant." But the company argument was obvious and it was supreme; that they could make even more money by shipping the operation to the States.

Is that all the justification that is needed? Because that is a profit and a company justification. Do we not have some

interest? I guess I am asking, is there not some national interest at that point that says that we have got to have some say in this kind of a decision?

11:30 a.m.

Mr. Riggs: Let me put it this way. In terms of the kinds of justification you are talking about, you get an employer who goes into business and puts investment in. He has to get a return on that investment.

If he thinks his return is unsatisfactory, there are two courses to take. One is to say he makes a wise investment decision or he makes a bad investment decision, and he lives with the consequences of it. The other is: "All right, the government will come in and evaluate whether his investment decision is a good one or a bad one. If they think it's a bad one, they will direct him what he does with his investment."

If you take that route--and this is not a question of fear, Mr. Mackenzie, or some kind of a vague concern--what you are really doing is saying, "The way in which investment will go on in this province from now on will be fundamentally different."

From the chamber's point of view, that's not the way to go, because we think that the employees generally and the community will benefit in this province by employers making investment decisions and responding to changing needs. This is the way we think everyone will benefit, including employees; not by having the government say, "This is the way you will make your investment, and this is the way you will continue your investment." If you do the latter, we think investment will suffer and ultimately all the employees will suffer.

Mr. Mackenzie: What you are saying is that the business decision is supreme, not Parliament, and that does not necessarily take the problems or needs of the employees into consideration, nor those of the community.

Mr. Riggs: No, sir, not at all. There can be no question that this Legislature is supreme, and if this Legislature chooses to have economic decisions made on that basis, that is the way they will be done, and quite properly so. But I am saying, if you do that, the way in which business is conducted is fundamentally different. We would no longer have a free-enterprise economy in terms of employers making decisions and living with good and bad decisions; you would have the decisions being made by the state. I don't think that is a good thing.

Mr. Mackenzie: I have some serious reservations about that, and I have some serious reservations about whether or not we have a free-enterprise economy any more. I look at some of the price fixing that goes on and problems in takeovers, and I really begin to wonder.

Mr. Riggs: It is obviously not a free-enterprise economy in the sense that Adam Smith envisaged it. We both recognize that there are interventions by the state in many aspects of business.

Mr. Mackenzie: I presume you are aware that Canadian Celanese in Cambridge recently shut down because it was an older plant operation. In that case there was probably some justification, but 270 people are out of work after a fair amount of service in that plant.

In a letter that they sent to Mr. Cassidy and in consultations they had with us and, I presume, with the other parties as well, the company indicated it was going to pay one week's severance pay per year of service; that it was not really a hardship; that they recognized that it might be coming in terms of legislation. That same letter also said that despite the possibility of such legislation, they fully intended to invest in the future of Ontario; that severance pay was not an issue that would stop them from investing in Ontario.

Among other witnesses who expressed a similar viewpoint I can think of a professor who certainly was knowledgeable, having spent three years on an economic committee with the United Nations. He played down the influence that decisions to protect workers and communities would have. His feeling was, fairly strongly, that stability, what the rules of the game were going to be and whether or not you had the resources and the people were really what would make the investment decisions.

When I told him that I thought some of his answers probably would not be well received by people like the chambers of commerce or the manufacturers' association, he replied, "Well, one of the things you should certainly ask them is what they are saying to their chambers, because they exist in great strength in the countries where exactly these kinds of restrictions also exist, such as in western Europe and many other areas."

He said he was dealing with them all the time in the work he did with the United Nations and that they certainly have not stopped investment or expansion in those particular areas.

Mr. Riggs: I am not suggesting, Mr. Mackenzie, and I am sure you don't take me as suggesting, that severance pay legislation would mean some kind of immediate collapse of the Ontario economy. That is not part of our position, and I am sure you don't take it as that.

If I can just pick up on the point you made with regard to Canadian Celanese. I don't know the details of the Celanese situation, but from what you said, it would appear that the operation was no longer viable. That, it seems to me, is a good example in terms of the problems of justification.

If in fact some government agency, presumably, or whoever does this--I have not seen it articulated exactly--says to the employer, "Because there are X number of jobs involved, we are going to direct that you stay in business," you can just imagine the practical problems that that would create.

What are you going to do? Are you going to say he stays in business until he has gone bankrupt, or that he stays in business until he has lost X million dollars? That seems to me a good example of the problems of applying justification.

Mr. Mackenzie: I hope it does not surprise you, but even those so-called rabid socialists among us have never argued that. I don't think it makes any sense that a totally unviable operation continue operating. But I think that we have seen decisions made outside of this country about companies that were viable, but maybe could have made more money in other operations, where the decision is a corporate decision or an economic decision and not a worker or community decision.

Then there's the whole question that has been begged of what happens to our balance of payment deficit, which has been lousy for a long time in this country. What kind of industrial strategy are we going to have that says we get a handle back on some of our resources and some of the companies here? Is this important or is it not? We happen to think it is.

What I guess I am looking for, unless you just reject that argument, is leadership from a business organization like yours in terms of that kind of industrial policy.

I don't want to spend an awful lot of time on what kind of legislation we have, but an argument that is raised often is that we have already got the best legislation. Usually we are looking at the US when we say it. Here in Ontario we are the branch plant economy, at least in a good chunk, and it has been increasing in our industry in manufacturing in this country.

I suggest to you, and I would like your response if I can, the argument over what legislation we already have is totally academic and irrelevant. I think the facts are that it is here we need the legislation that gives us some protection until we get a handle on our economy again in this particular province and country.

That that's why we have got to take a look at some measures that do give some buffer to workers, that do require some justification. I think we need the legislation here. It is not a matter of what we have. What we have is totally inadequate. We find that in this committee. Others argue that this is not the way to go, but certainly we do not have the protection now. So we either find some way very quickly of providing the jobs or we find some way in the interim of protecting the workers and their communities.

Mr. Riggs: Mr. Mackenzie, I think it is unrealistic to disregard the legislation which exists in other jurisdictions. We are not operating in Ontario in some kind of vacuum. When it comes to imposing legislation some time, we have got to look. When representations are made by the labour movement in terms of changes to labour legislation, then we hear regularly about the way it is in British Columbia or the way it is in some other province as being a justification of putting it into Ontario.

I think that is an entirely valid consideration, a consideration of what other people are doing. But you have also got to look at the fact that the legislation in these other provinces and in the United States is legislation which is, even at the present time, nowhere close to the American legislation.

There has been in many cases consideration of severance pay laws in the United States and they have been rejected. I don't think you can ignore that. That is a factor that has to be taken into account.

Mr. Mackenzie: Does economic nationalism scare the chamber or is it a factor? It does not appear anywhere that I see in your arguments or your briefs, but is it something that does concern you? I am thinking in terms of the lack of control we seem to have in this province.

Mr. Riggs: I don't think anyone in this province can be oblivious, Mr. Mackenzie, to the relationships we have with the United States and other countries in terms of our economic arrangements, and that includes people of all political views and all organizations.

Mr. Chairman: I have two fast things before Mr. Cooke and Mr. Van Horne. The Treasurer will be here at two o'clock and I would just draw the attention of everybody in the committee for the time. The people from the OFL have been waiting very patiently. Mr. Cooke.

11:40 p.m.

Mr. Cooke: Thank you, Mr. Chairman. I will be brief.

I want to get back to the subject of justification. I come from Windsor. You know about the problems that we are having in all the auto cities, but in particular that one.

Take a look at the Bendix Corporation, for example. It is a foreign-owned corporation with 600 to 650 employees, many of them with years of service. And then you say to me that even though those employees have put in years of service and contributed to the profit of that corporation, and the profits would not have been made without the workers in that particular plant, that the company has no requirement and no obligation to the workers and to the community that is going to have to pick up the cost of welfare, the cost of marriage breakdowns, the cost of mental health problems. You are saying that that corporation has no obligation to justify that plant closure to the community and to the province which is going to have to pick up the cost.

Mr. Riggs: That, of course, all depends on what you mean by justification. I have always taken the discussion of justification before this committee as being justification in the sense of convincing some body as to the legitimacy of the employer going out of business and closing down the particular operations. For reasons I have indicated, I do not think that is a feasible thing in terms of its being legislated.

The other aspects you raised in terms of that example relate partly to whether or not there should be an obligation on the employer to provide severance pay to the employees who, as you said, have worked for a number of years. What I say to that, Mr. Cooke, is that for a company that has a collective bargaining relationship, if the parties want to provide in that collective

agreement provisions governing payment on termination of employment, fine. We do not have any problem with that. I understand from what Mr. Mackenzie said in the Celanese example the words, "money paid by way of severance pay when termination occurred." I have no objection to that, neither does the chamber.

Mr. Mackenzie: That was to come without the recommendation. That was made fairly clear.

Mr. Riggs: That is fine. I have no problem with that either, but if you have a collective agreement that is entered into that puts its resources or puts its benefits into other areas, it seems to me that you cannot then, at the end of the line when an employee is terminated, come back and say: "We have given the best years of our lives to this company. How come we have got no protection by way of severance pay?"

I think the answer to that is to say to the union: "If you thought this was a consideration, why did you not negotiate this? Why come to the Legislature and say, 'Now we want laws to do something we have not put a priority on ourselves'?"

Mr. Mackenzie: With regard to that union involved in the Bendix case, probably because of Bendix the UAW did exactly that in a small plant they have in London. They took a strike because the company totally refused to discuss severance pay or improved pension benefits, and they never did get them.

Mr. Riggs: There can be all kinds of things in collective bargaining. You are now getting into particular situations. Mr. Mancini raised one and I am sure there are all kinds of examples that we can all come up with.

Mr. Mancini: What did I raise?

Mr. Riggs: In my answer to your question you asked me, "Can you envisage a situation?" I said we could in a limited case.

Mr. Cooke: One of the problems with an industrial strategy when we have foreign branch plants is that basically in this province we allow Bendix to close down. It is a company that has been making a profit in this province, that has a market in this province, but its margin of profit is not large enough. So we allow them to close down and we allow them to service the Ontario market from the US. They still have access to our market and they still have access therefore to that profit from that market, but we do not get any of the job benefits.

It seems to me that if we had a government that said: "Okay, if you are going to close down. Even if you have been making a profit, you are not going to service the Ontario market from your US plant," if we had that kind of an industrial strategy that emphasized Canadian workers and that emphasized import replacement, then perhaps Bendix would have made a different decision because they would not even have had the profit that they were making from that particular plant if they did not have access to our market.

I would be very interested in hearing from you, and I realize we cannot go into it in great depth, what your basic industrial strategy is. How do we get hold of the control of our resources? How do we get hold of the control of our economy?

If government decided to take a hand in ownership of our resources, as we hopefully are going to be doing over the next number of years in the oil industry, as a way of controlling our own economy, would you people be the first ones to come before us and say, "That is more government interference and you should not be doing that," or do we continue to let foreigners, other companies and branch plants, control this economy?

Mr. Rubinoff: I think firstly we are not for government taking on more. Secondly, I think we are all waiting for the study on product mandating.

I think a good example is Westinghouse, which is making world products here in Canada. Many of our multinationals are very good citizens in this country. I think you are going to hear from General Motors, if you have not heard from them, and what kind of investment they are making.

There are a lot of good citizens here from abroad. We just cannot keep knocking multinationals.

Mr. Cooke: I realize that no matter which party is in power there are going to be multinationals operating in Ontario and in Canada, but there is a way of turning around the economy. What you are basically saying to me is that you are satisfied with the level of foreign ownership and that you do not envision a strategy to turn some of that ownership around into Canadian hands.

One of the aspects of justification would be that if a plant is viable, like Bendix, then a person within Ontario and Canada should have the right to purchase that plant, but Bendix refused that. Bendix would not even talk about allowing the employees to take over the plant. They closed the plant down and put the equipment on a truck and shipped it over to the States. That is irresponsible.

Mr. Rubinoff: The question is do you make legislation for the few. If you have a few bad examples do you legislate all industry for that bad example? Our problem with justification is criteria. How are we going to set the criteria for justification for so many? That is the greatest problem we have with justification.

Mr. Cooke: I do not disagree that justification and determining the factors will not be an easy job, but you can take a look at balance sheets, you can take a look at markets and you can take a look at costs to the community if the plant closes.

I invite you to come to an area in my riding where, about 25 years ago, Ford Motor Company decided to move 5,000 or 6,000 jobs from Windsor to Oakville. Take a look at the Drouillard Road area which 25 years later is a disaster area, where 85 per cent of the store fronts are boarded up, where vandalism and crime are the

highest in the entire city, where chronic unemployment is incredibly high. Those costs have to be taken into consideration because I as a taxpayer and you as a taxpayer have to pay for those costs.

Mr. Rubinoff: You would not legislate, though, for Ford moving from one place in Ontario to another?

Mr. Cooke: I would certainly suggest that for runaway plants, whether it be runaway from Windsor to Detroit or whether it be runaway from Windsor to Oakville, those 5,000 or 6,000 employees have a right to hear from their company and look at balance sheets and look at profit statements to find out why they are moving.

Yes, I fully agree with that because I have lived with it. I know what the implications are on people, but I still do not understand what the chamber is saying. I guess basically what you are saying is that you are satisfied with the level of foreign investment and foreign ownership of our economy and that you would not want the government to take any action to turn that around. Is that what I am hearing?

Mr. Rubinoff: We are not looking for more government interference.

Mr. Cooke: The committee, I hope, will be addressing that in our report as we cannot take a look at some of the Band-Aid solutions without looking at a long-term industrial strategy. It is obvious that we do not have a lot in common. Even the small business association that was before us yesterday clearly indicated that they were not satisfied with the industrial strategy. They felt that Canadian ownership of the economy was important if we were to develop jobs, and that is the most important manpower adjustment, jobs for the unemployed.

Mr. Van Horne: I think the first question has been raised by practically every other committee member but I just want to go at it one more time, and that has to do with severance pay. I think Mr. Rubinoff a few moments ago asked the question why or how should we legislate for the few.

11:50 a.m.

If I read the numbers in the early part of your brief, at the bottom of page two and the top of page three, the indication there is that there something like 80 per cent out of 2,350 agreements do not include either a severance pay plan or a combination of severance pay and layoff benefit plan. That is not the few, that is the majority, so I have trouble accepting that.

Given what Mr. Mackenzie mentioned just a few moments ago when he used the example of the small plant in London which is represented by the UAW, we have had significant evidence brought in front of us by not only the UAW but others, that the minute they try to negotiate this--that is, a severance plan--they don't stand a hope in Hades.

That is what they are telling us in the majority and you, on the other hand, say that it is not fair or proper to legislate for the minority. So I find difficulty in knowing what you mean with majority and minority groups.

Mr. Riggs: In terms of the provisions that have been negotiated through collective agreements, you are quite right; it is a minority. The point about that is that, as I indicated, from the point of view of many unions, this has not been a priority item.

Mr. Van Horne: Do you know that for a fact? And how do you get that kind of evidence?

Mr. Riggs: You see that from the statistics. You see that in terms of the contents of collective agreements--

Mr. Van Horne: That they are prepared to accept something else.

Mr. Riggs: That's right.

Now, I think both you and Mr. Cooke raised the fact that, okay, in some cases the question of severance pay is raised and the employee says no. Now, I am not suggesting every time severance pay is raised in negotiations an employer is going to embrace that with open arms. The fact is, of course, for the reasons we have indicated, severance pay is going to be a significant cost item to the employer.

One thing which will distinguish severance pay from the present legislation is that under certain circumstances now an employer can provide at least advance notice of termination--

Mr. Van Horne: Or pay in lieu of.

Mr. Riggs: Of course.

But if you have severance pay either legislated or in the agreement, you know that at some point you are going to have a cost that is going to be made on the employer; and the chances are pretty great that you are going to be making that demand on the employer at the time when he has the least resources to sustain it.

Mr. Van Horne: On page 14 of your brief, you indicated the Maine experience or the Maine legislation which has an exclusion factor of 100, as opposed to the 50 that we would see. Are you really suggesting or implying here--I don't think you come right out and say it--that this would be the number that would be acceptable here in Ontario to the chamber if this were mandated?

Mr. Riggs: I raised the state of Maine legislation because that is the only legislation that I am aware of and I think the only legislation in the United States or, of course, in Canada, apart from the federal legislation that deals with this issue at all. So I have raised it specifically there.

In terms of the actual amount, let me put it this way: I

don't think there is any magic about the figure of 50 or the figure of 100. But, as far as small business is concerned, if you put it at the level of 50, you are going to be including within the scope of severance pay legislation a lot of employers who are in that 50 to 100 group.

Mr. Van Horne: That was my next and last question. If it were 100, could you give us any idea of approximately how many employers that would include?

Mr. Riggs: I am sorry. I do not have an exact figure on that. I wish the statistics on this whole area were a little better.

Mr. Van Horne: So it is not possible to come up with that.

Mr. Riggs: I think it may be possible. Perhaps the Ministry of Labour, under certain circumstances, has those kinds of figures. But we would undoubtedly plump for 100.

Mr. Chairman: Gentlemen and Mrs. Roscow, thank you very much for your time before the committee. As you know, it is our goal to have our final report done by February 5. Most assuredly, you have been a help and we will share our final report with you.

If I may, I will call the representatives from the Ontario Federation of Labour. Members of the committee have been provided with a copy of the submission. There are three different documents prepared by the federation.

Mr. Chairman: Gentlemen, on behalf of the committee, I welcome you to our hearings and thank you for taking the time to come and appear. You know precisely our mandate and our dilemma in those matters of major concern to the committee.

You have been here before, Mr. Pilkey, Mr. Meagher and Mr. Elleen. I might say, before we officially begin: Mr. Pilkey, we had the opportunity and the pleasure of hearing from your son in another group of people from Oshawa last week. It was a very useful presentation a couple of weeks ago, one afternoon.

Mr. Mancini: He didn't look as properous as you do, Mr. Pilkey.

Mr. Pilkey: I'm not too sure this committee can stand two Pilkeys.

Mr. O'Neil: That's what Elie was saying.

Mr. Mancini: I think you would fit in very nicely next to Mr. Riggs.

Mr. Pilkey: Next to Mr. Meagher and Mr. Elleen are Mr. Peacock and Alan Pryde, who are also with the delegation today.

First, let me say, I suspect very strongly that after

listening to the chamber of commerce, we are now going to get the other side of that equation.

Mr. Mancini: Elie is ready for you.

Mr. Pilkey: I thought what we might do, Mr. Chairman, because we do have a very short brief and I would like particularly to get our points of view on the record, it might be useful if I do read the brief. It is not very long; it is very short. It is only about eight pages in total and I think that I will go through it.

Let me thank you and the committee for the opportunity to make this presentation. I am confident that the selection of the committee will be useful in decisions that will have to be made by the government around specific problems as we perceive them in Ontario.

As the central labour body in Ontario, representing 800,000 members from most of the unions in this province, the Ontario Federation of Labour appreciates this opportunity to present our views on the problems of plant shutdowns and extensive employment termination and layoffs; and our proposals to deal with this crisis facing Ontario.

We are appearing late in your schedule of hearings because we wanted you to first to have the benefit of the views of the workers, trade unions, companies and communities that dealt with specific cases of plant shutdowns with which they were intimately involved. We are pleased that you have arranged things so as to hear them first.

We would like to file two briefs--and I think we have done that--that we presented to the cabinet in June 1980 and the other in December 1980. Both briefs, while highlighting the need for legislation to contend with shutdowns and layoffs, also dealt quite extensively with measures needed to stimulate and revive the economy.

We urge the committee members to read the briefs to get a better background of the shutdowns and extensive employment terminations and layoffs and so that you will appreciate the need to reverse the trend towards the deindustrialization of the province that is now taking place. In those cases where such dislocations are inevitable, we urge you to propose some protective legislation that would guarantee justice for the workers and the communities involved.

Along with the submission in December, we presented 105,000 signed petitions to cabinet, collected by our affiliates in the few weeks before, asking that the government deal with the problems of plant shutdowns, cutbacks and layoffs and provide legislation to protect the workers and their jobs.

Ontario is in crisis, the brief warned. Its industry is chronically and gravely ill. There are over 300,000 workers idle; a significant number have lost their jobs in the past year.

We estimated that since January 1980, 65,000 workers had lost their jobs through plant closings, extensive employment terminations and layoffs.

12 noon

The brief noted that 56 plants had been closed in Ontario during that time--the latest count is 68. Eighty-two per cent of the firms involved were foreign-based and 77.8 per cent were US-based.

The brief pointed to what is called the epidemic of layoffs, plant closings and other forms of capital flight sweeping this province, once the industrial heartland of our country.

From day to day, week after week, the deindustrialization of Ontario is taking place. It may be a shoe factory in Toronto, a farm equipment plant in Brantford, a newspaper in Ontario, an auto parts plant in Windsor, a furniture factory in Cambridge, or an electrical plant in Hamilton which suddenly closes its doors or drastically reduces its work force. I think that newspaper should read, "Ottawa."

Some of these plants caught public attention because the unions involved raised hell, or the community was so hurt that others got into the act. But some of the smaller, isolated and unorganized enterprises suffered the dislocation in silence and their plight did not hit the headlines.

While many thousands of workers have lost their jobs due to the depressed state of the economy, many American-owned companies have simply shut down their subsidiaries to protect jobs in the United States. Still others have fled to states where wages and working conditions are inferior and the right to belong to a union is severely limited by the deceitfully named "right-to-work" laws.

The seriousness of the crisis facing this province makes it essential that Ontario have an industrial and economic development strategy. The strategy has to deal in a forthright and bold way with the problems created by the multinationals and foreign ownership. It must include investment policies that work in the interests of Canada and its people. It must ensure corporate disclosure and accountability, have a restructured tax system and monetary and fiscal policies to stimulate consumer demand and promote full employment. Such an economic game plan is our only practical hope for this province's long-term security and well-being.

While this is the answer to the problems facing the economy of this province, and which we will continue to press for, it is of small comfort to those laid off or facing layoff or plant closings now or in the very near future. They need immediate help, help that their union contracts cannot possibly provide.

What is needed is legislation such as some of the west European nations have had for some time. Legislation that is designed to discourage plant closings and layoffs; that compels employers to account to the public for their intended actions and

demands they show a responsibility to the workers and to the community; legislation that cushions the effects of layoffs and plant closings that are inevitable; and provides for retraining, severance pay and adequate pensions for those forced into early retirement.

The Ontario Federation of Labour had its annual convention just before we presented our December brief and we were able to refine and bring up to date our policies on the economy and particularly on plant shutdowns.

In the short time available to us today, it is these proposals on legislation to do with plant shutdowns and extensive employment terminations and layoffs that we wish to refer to and to which we wish to confine our presentation.

Mandatory reporting of layoffs. Legislation must be provided to make it mandatory for companies to report to the Ontario Manpower Commission employment terminations and layoffs involving 10 or more workers. The manpower commission should be revitalized. There should be continuous co-ordination and analysis of labour supply and demand in order to evolve a properly planned manpower program sensitive to the needs of the province and its work force.

Legislators cannot deal with shutdowns and layoffs if the seriousness of the problem is understated due to the lack of hard figures on the situation. It must be quite evident to your committee after questioning the Minister of Labour and his senior staff, as reported in the November 4 transcript of the proceedings, that the government has a very incomplete picture of terminations and layoffs in this province. Nor is the Minister of Industry and Tourism (Mr. Grossman) more knowledgeable, since they depend on the Ministry of Labour for their data, as reported in the proceedings of November 5.

Because there is no adequate provision for collecting data on layoffs of less than 50, because unions have no access to information on layoffs in the two thirds of the work force that is unorganized, because bankruptcies, which accounted for 2,223 closures in Ontario in 1979 and already had reached 1,749 closures by August 1980, are not included in the Ministry of Labour statistics and because construction layoffs are also not included--and these ranged from 20 per cent in Sudbury to an average of 65 per cent in the Kingston-Belleville-Brockville area--the Ministry of Labour totals are grossly understated.

There are no complete records of layoffs of 50 or less, and certainly none for 25 or less. When one considers that 88 per cent of Ontario's enterprises consist of 20 or fewer workers and these are not monitored by the Ministry of Labour, then one sees that its totals on layoffs are grossly understated. It is a sorry state of affairs when the Ministry of Labour has to resort to "newspapers and other informal sources" for its information on layoffs. Under the circumstances, perhaps our estimate of 65,000 workers suffering from shutdowns, extensive employment terminations and layoffs since January 1, 1980, is a conservative figure, to say the least.

Responsibility in the community and notice of termination: Shutdowns should be considered a social emergency. Industry, government and the community should be mobilized to provide help to the workers involved while they are employed, not after they have been unemployed for some months. At least six months' notice, or payment in lieu of, should be the entitlement of any group of 10 or more workers whose employment is terminated or who are laid off for more than eight weeks, regardless of the reason, including when the termination or layoff takes place during a strike, lockout or vacation.

If enough advance notice is given to the workers, the union, government agencies, such as Manpower, and the community, it gives all the parties concerned time to plan so as to mitigate the economic consequences of displacement, not only on the workers but on the community as a whole. Adequate notice gives the workers time to overcome the shock of the loss of jobs, gives them time to adjust their expenditures to meet the crisis and permits them to look around, to train, if necessary, and to make a choice among the possible options open to them.

Various studies have dispelled the basis for fear most employers have that if the company were to give a long period of notice of plant shutdown the workers would desert it, the remaining contracts would not be completed and there would not be enough workers to finish the closing in an orderly fashion. Shultz and Weber point out that productivity in such a situation does not drop. Moreover, they make a case for at least six months' notice and preferably a year. This is particularly so in the case where the work force is relatively unskilled and would require some training to qualify for other jobs.

Entrepreneurs do not preoccupy themselves with the prospect of a shutdown and its attendant problems at the time when they locate their plant. Their main concern is with its profitability and other considerations.

We have advantages for investors. We have a highly educated labour force. Our labour costs are relatively low in comparison with our trading partners. Corporate taxes are lower than in the USA. In addition, our lower dollar, lower energy costs and large market all combine to give us advantages over our competitors that far outweigh any possible hesitation in locating in Ontario because of legislation to protect workers' jobs. We may get into that point in greater detail in relation to Appendix V a little later on.

Management must prove justification for shutdowns. When an employer contemplates a plant shutdown, a moratorium must be imposed and the company should be compelled by law to justify its decision before a public body representing the community, government, industry and labour and should submit to a feasibility study. If the enterprise is economically viable and the company persists with its decision to shut down, the Ontario Development Corporation and the employees should take over and operate the plant for the benefit of the public treasury and to preserve the jobs of the workers involved.

12:10 p.m.

It should be mandatory for management to meet and co-operate with the Canada Manpower Consultative Service, the Ontario Manpower Commission and the representatives of the union to justify its actions and arrange for the retraining, income maintenance during training and relocation, alternate job placement, pension provisions and severance pay of the workers involved.

The main thrust of this proposal is to discourage runaways. It is also designed to induce management to show more responsibility to the workers and the community, as first articulated by Justice Samuel Freedman in his report on redundancy. France, the Netherlands and Italy, where such legislation is in existence, have no difficulty in attracting investment money.

Industry must bear the initial cost of change. The human cost of technological or other changes, plant shutdowns and worker displacement must initially be borne by industry. There must be a disincentive to a company intending to close its operation. Financial and other penalties should include payment into a fund to offset loss of revenue to the community, financial provisions for retraining, relocation and necessary income support to the workers affected. The company assets should be seized if these measures are not adhered to. This is designed as a deterrent to make a company think twice before it moves elsewhere in its quest to maximize profits.

Runaway plants: In an effort to make foreign-controlled branch plants behave, the government should impose economic sanctions on them if they become runaway plants. This can take the form of an embargo on imports of the parent firm's products, taxation and monetary fines.

Because of the preponderance of foreign control of our industry, Canada, and particularly Ontario, more than any other country or jurisdiction, needs laws that will deter a viable industry on which the workers and the community have become dependent from moving elsewhere. The Ministry of Labour at present has no power to compel a company to show justification for its move or to open its books. The newly created department under Mr. Robert Joyce has no power except moral suasion. This was quite evident in the report of the proceedings of November 25 when Mr. Joyce appeared before your committee.

Many companies have pulled out because the decision was made elsewhere and in the interests of others. The case of Westinghouse is well documented. The Ontario Labour Relations Board had found Westinghouse's actions in dispersing its switchgear and control division from Hamilton to three rural centres to be based on an anti-union motive and in violation of the Ontario labour laws.

The \$68 million the two levels of government gave to Ford did not produce the 2,400 jobs promised; in fact, 2,600 jobs in the company were lost immediately afterwards at another location.

Whether it is a runaway to other locations in Canada or elsewhere, such actions should be discouraged by effective laws and regulations.

Fringe benefits and severance pay: Adjustment assistance for displaced workers, severance pay, mandatory transfer rights with no reduction in benefits, guarantee of all fringe benefit payments and adequate income maintenance should be provided by the company until the individual is re-employed. Severance pay of one week's pay for each year of work should be mandatory in all enterprises and should be separate and in addition to notice of termination payments.

Generally, fringe benefits are negotiated and are regarded as deferred wages when they are noncontributory. These should be continued since an unemployed worker is often unable to provide funds for these payments. Severance pay also is needed as a means of weathering the period of unemployment. In Britain, the Redundancy Act provides a week and a half's severance pay for each year of service.

Security of pensions: Pension security should not depend on job security. Workers should be entitled to accumulate adequate pension benefits throughout their working lifetime. This will require improved vesting provisions, portability and pension funds secured by employer assets.

The pension amendments brought in through Bill 214, which became law on December 12, are largely inoperative since the regulations are yet to be provided. In addition, the amendments are quite inadequate in that they do not reduce the 45-and-10 requirement, that is, 45 years of age and 10 years of service. There should be vesting after five years' service and no age requirement. There is no provision in the amendments for portability of pensions, and in many other areas the amendments are vague, unclear and may turn out to be inadequate when a business is sold or there is a corporate reorganization or a bankruptcy.

Bankruptcies: In cases of bankruptcy, wages and other worker entitlements should have top priority. Although Bill 214 attempts to enhance the preferred position of a pension plan for unpaid employer contributions, if the employer goes bankrupt it may need co-ordination with and assistance from federal laws to make this effective. Pressure must be put on the federal government to amend the Bankruptcy Act and give wages and other worker entitlements top priority in bankruptcy cases.

The foregoing are some of the main recommendations contained in our submission to cabinet with respect to plant shutdowns, cutbacks and layoffs. We urge the committee to study the documents and come up with a report that proposes legislation consistent with the needs and expectations of a modern industrial society. All of which is respectfully submitted.

Mr. Chairman: Thank you very much, Mr. Pilkey. Do other members at the table wish to comment before we have questions? While the members of the committee are thinking of questions, I could start off with one. I am not trying to be argumentative.

Mr. Pilkey: No, no.

Mr. Chairman: I have a feeling I would not win. That alone precludes me from wanting to be argumentative. It is a legitimate question, although obviously there is an implicit understanding of mine in the question.

My mind goes back to a committee a couple of years ago in this place dealing with health care--Mr. Mackenzie and I were on that committee together--and how to fund the health care services in Ontario if premiums were abolished. Among the things we looked at--in some detail, actually--was the question of corporate taxes and to what extent they might be raised.

My recollection is that the ton of statistics made available to us showed that there were some fairly real risks. It was felt, I think, by all members of the committee--Mr. Mackenzie, please comment on this--that to raise corporate taxes in this jurisdiction away from the corporate tax levels in Manitoba and Quebec, not to mention the northeastern US jurisdictions, could be a problem. In fact--stop me if I am wrong--I do not recall that the NDP members of the committee or any other members of the committee came down for a recommendation that corporate taxes be raised away from the prevailing rates in neighbouring jurisdictions.

If that means, as it meant to me, that one has to be sensitive to the competition, I ask the question whether that same argument does not hold with regard to matters like severance pay and justification-for-closure legislation. Does one not have to be sensitive to neighbouring jurisdictions in this fairly competitive market we are in, where there is jurisdiction shopping, where corporations, whether we like it or not, are looking around for a place to locate?

I mention that because you talk here--and others have--about the situation in Europe where existing legislation of that type does not seem to deter investment, home-grown investment or out-of-country investment. Because those competing jurisdictions have similar legislation, it seems to me the problem is partly answered by that. France and Germany have fairly equally restrictive, or progressive, kinds of legislation in that area.

Is that not a valid concern? That is my question.

Mr. Pilkey: Let me say, first of all, my memory goes back to that period when we were discussing the financing of medicare. At the time, if my memory serves me correctly, we were talking about elimination of premiums and shifting the cost over.

I think if this committee wants to look at that end of it, it could look at the other provinces that do not have premiums. How in the hell are they funding it if there are no premiums? Ontario is probably the last bastion in the whole country that has premiums. Most provinces have eliminated them entirely.

12:20 p.m.

The other side of that is if we look at Appendix V in our presentation, at an excerpt from the Financial Times of Canada by Don McGillivray in what certainly is not a pro labour paper--at least I don't think it is--which points out the compensation that is paid by Canadian firms vis-a-vis our trading partners, you will find that we are significantly lower than many of the countries that we trade with. I guess what I am saying is that the companies in Ontario have a distinct advantage in many areas we alluded to, and certainly in terms of compensation.

On the other side of that, depending on how you are going to work out the funding, my guess is that companies that remain in place and do not have a closure may get off somewhat easier than those that do close their operations. Again, depending on how you are going to fund this kind of legislation, when it is introduced, my guess is that the companies certainly could meet the costs of the program that we are presenting in our brief. I do not think it would cripple them in any sense of the word.

By the way, I think it should be made abundantly clear, we are not formed as an organization to put people out of business. We are not making proposals that would disadvantage the corporations in the province of Ontario to the extent they are out of business. That would be nonsense from our point of view.

Mr. Meagher: Mr. Chairman, I remember the occasion when we came before the committee on health care costs. There is a significant body of evidence. One employer in the province of Ontario also has operations in the state of New York and agreed to participate in a conference that the Ontario Federation of Labour sponsored around this subject and which made the point abundantly clear. I believe the committee found that health care services were provided more cheaply because it was a public plan, that it was cheaper for him to do business in the province of Ontario than it was in the state of New York.

The other point we were making at the time we presented that brief is that it is unfair, if we are encouraging employment, to be punishing labour-intensive industries by transferring the premium over on to the people that employ a high number of workers. We felt it could be more equitably distributed if it came out of income tax. I know, Mr. Chairman, that you had a strong delayed reaction to our presentation and had suggested in the afternoon that we wanted to tax senior citizens.

Mr. Chairman: Yes, that is correct.

Mr. Meagher: The fact of the matter is if a senior citizen happens to be a millionaire, I do not think that anyone would like to forgive that person from income tax. That was the point we were making. We felt that if you had a certain level of income, then you had a responsibility to pay more income tax for that purpose, and I dare say that would include people like myself.

Mr. Mackenzie: In response to your asking if I verified what you said, I think the only point that should be made on that is that certainly the NDP members of that committee made a very strong argument to eliminate the premiums. We presented fairly

extensive figures showing where you would pay more and where less, basing it on an income tax base. We also made an argument, and I suppose this is the only area where we referred to corporate tax figures, and we never really got into that, about the fact that the companies that were now paying the medicare premiums would be forced to turn that amount of money over to the workers if we switched because that was a payment in lieu of wages.

Mr. Chairman: I respect that, Mr. Mackenzie. You are quite right. I invited clarification and I do not want to get back into that question. All I was saying was we were looking at a whole host of things and were trying as a committee, notwithstanding our politics, not to take a look at just the corporate sector in Ontario in isolation from neighboring jurisdictions. My question flowed from that. Is it not equally important that we take a look at severance pay, justification of closure-type legislation here and in the context too of what our neighbours are doing or might be doing? That was my point. I respect the response.

Mr. Van Horne: I would like to pursue for a moment the suggestion you make on page six of your brief about the Ontario Development Corporation possibly taking over plants. You obviously would have given some thought to this; it did not come right off the top of your head. First of all, it strikes me that this might provide a convenient way out for an employer or a company in trouble just to say, "ODC will take over and I walk away." I have a problem with that.

However, if this were to happen, how long would you suggest that a plant remain in operation if it were to continue to be a losing proposition? You must have some time lines applied to this concept or are you just throwing it out to us?

Mr. Pilkey: We are not really saying to keep losing propositions in place. We have not said that. We are talking specifically of companies, after we have gone through this justification procedure and feasibility study, that are economically viable. If it is a losing proposition, that is a different thing. I think that is one of the god-damned difficulties with government today. I think they take over too many losers and, as a result of that, the perception is that government is inefficient, does not have the expertise and cannot run anything. The reason is that we take over the losers. What I think we have to be doing is taking over some winners.

To digress, I would like to get into oil and gas and the petrochemical industry. Then I could say, "There, government can run them," because you cannot lose no matter what the hell you did.

It seems to me what we ought to be doing is looking at those that are economically viable. Our problem from a government's point of view, and something that we have not been able to wrestle with, is how to stop somebody from walking away from it. We are saying as an alternative, if they insist on doing that and it is economically viable, then ODC should step in, along with the workers, and run that plant. If they can make the case, that it is not and it is never going to be, fair enough. We have got to put other mechanisms into place at that point. We are talking about

severance pay. We are talking about portability of pension. We are talking about notice of termination. That all comes within the position that there may be plants that close their operations. There is no question about that. So we should try to build in some protection where that takes place.

Mr. Van Horne: Just as an aside, it would be an interesting exercise to take one of the case studies that we had in the November-December period of time--I think there were two or three at least that came in front of us--that, in our view, were very viable operations. In a couple of other cases I do not think one could argue too strongly for them. But it would be nice to take one of those as an exercise and apply costing factors to it because if a government is going to move in that direction, it is foolish not to know what the cost is going to be to them.

Mr. Pilkey: If I might, Mr. Van Horne, one of the questions that was put to me very recently was: "What is an economically viable plant? Is it four per cent, five per cent, 10 per cent return on investment? What is an economically viable plant?"

Let me tell you what I happen to believe it is. An economically viable plant is one that is making a profit. I do not care how much they are making; if it is profitable, then it is economically viable, in my view, and ought to be kept in place. In addition to that, there have been employers that have some sort of a social conscience in relation to their employees who have taken contracts that they do not make any profit at all on, just to keep their employees in place and to keep the operation going. I guess really that is what we are saying too. We have to take a very serious look at that because they can see down the road it is going to be profitable and so they are in a holding pattern, if I could use that term.

12:30 p.m.

I really think that is fair. So that was my response to the question, what is economically viable? I am saying that if you are in a holding pattern and are not losing, or, alternatively, it's profitable, then those jobs in that company ought to remain here in Ontario.

Mr. Van Horne: I have one final question, Mr. Chairman, on the severance pay theme which has been pretty predominant in our discussion today and in earlier days too. You heard the chamber and other people say that they really did not want to see this mandated, and they had all kinds of reasons for it. We hear too from UAW that this is a tough one to negotiate. I have to wonder, and I ask this perhaps naively but in all sincerity, how hard have the union people that you are associated with been hammering at severance pay? Have they really been pushing it?

The answer given earlier by the chamber was that the statistics say no, they have not been pushing it that hard. Tell us how hard it has been pushed and why has it not been compromised somewhere along the way.

Mr. Pilkey: I think probably Hugh could answer this better than I can as far as auto worker contracts are concerned, as I am only going from memory now. It has been a long time since I've dealt with them, but we certainly negotiated a concept in those SUB agreements of severance pay.

One of the problems is that just as when the SUB plan is exhausted, so any form of severance pay can be exhausted. There has been some ability to negotiate it in that sense. The other thing is, and we might as well be candid, severance pay would not be a high priority, collective bargaining matter, inasmuch as there is no perception that that operation is going out of existence.

So you are really taking money from the wage structure and applying it to something that is rather vague. On pensions, even though that is 30 years down the road, at least you can somehow relate to that. But this whole question of severance pay is not the easiest thing to relate to unless you negotiated as some of the public sector unions do, where, at the end of your employment, you pick up X number of weeks' or months' pay. But maybe Hugh could respond to that.

Mr. Van Horne: The problem I have here is, are we making it easier or are we assisting or are we mucking around where we shouldn't be, as legislators?

Mr. Peacock: The chamber slammed us this morning for not taking the initiative at the bargaining table, and Cliff has referred to that. But there is another aspect. Until very, very recently, in the Westinghouse case that is referred to in page seven of our submission, there has been no clear legal obligation on the part of the employer to reveal his intentions during the term of a collective agreement. You go to the bargaining table and you have some suspicion that the employer is getting ready to pull out or change the product substantially or introduce new sophisticated equipment and processing, but he is under no obligation to tell you that that is coming. We are bargaining in the dark.

It's only with the development of the case law through the board that we are now being put in the position that we can go to the table and the employer is under an obligation to tell us. That is just beginning to happen now. In the past we were stuck. You signed an agreement for two or three years and you had no recourse once the employer pulls up and moves out. You could not even get transfers of employment until the Westinghouse case imposed that on the employer. There was no obligation for the employer to take those workers back.

Mr. Pilkey: The other thing, if I could answer Mr. Van Horne, is that if you shift every damned thing over into the collective bargaining arena, there is just a tremendous fight there in that arena. I don't think we ought to be adding a hell of a lot new elements to it. We have enough troubles as it is.

Not adding new elements, that's number one. Two, only one third of the workers are organized in this province, so the other two thirds are excluded. How the hell do they achieve it? If we

cannot achieve it through the collective bargaining process, the prospects are really dim for them.

Mr. Meagher: The situation, Mr. Van Horne, is still that it happens on occasions that people go into negotiations and negotiate a significant increase around a certain job classification and so on, without too much argument by the company, only to find that a few months after they have signed the collective agreement the whole situation is changed because of the introduction of technology and those jobs become redundant. As Mr. Peacock has said, when you are operating in the dark, when you do not have those things in front of you and do not know what is going to happen down the road, then obviously you could think you were making a marvellous deal, only to find out that during the life of the collective agreement the situation has changed dramatically and almost entirely.

Mr. Van Horne: Just as a parting observation, going to the McGillivray Financial Times article, I realize the \$8.34 here is obviously lower than any of the other numbers quoted, but I am just wondering how it stacks up on the other hand with the purchasing power of our dollar and compares with the inflation rate and purchasing power, et cetera, in other communities that are quoted here, Germany, France, Italy, Sweden and so on. You can make numbers do anything for you, but I just happened to wonder relatively how fair those numbers are. That is just a parting shot, more or less on the same theme that the Premier accommodated you with before Christmas.

Mr. Meagher: The American inflation rate is certainly well ahead of ours, so is the United Kingdom's. Germany is much below ours and Sweden is much below us. I really do not know what it is in Italy and France. I could not comment on that. Some of them are higher, but some of them are lower.

Mr. Chairman: Could I make a suggestion which I am sure you have thought of? A lot of people in the committee have commitments at 12:30 and would be anxious to hear it.

Mr. Mackenzie: I have only one question, Mr. Chairman.

Mr. Chairman: Could I leave you first on the list when we come back?

Mr. O'Neil: How many other people are on the list, Mr. Chairman?

Mr. Chairman: Only Mr. Mackenzie now.

Mr. O'Neil: If he only has one question, he might as well put it and get it over with.

Mr. Mackenzie: I guess it may sound a little facetious. I missed a question I wanted to ask the chamber while they were here. It had to do with severance pay arrangements that are increasingly being made for management personnel. I am looking at the manager of the CNE recently who is walking away, as I understand it, with \$74,000.

Mr. Pilkey: We just want 50 per cent of that.

Mr. Mackenzie: That is after only seven or eight years of service. I have a release put out by one of my colleagues just yesterday in which he points out that the Royal Ontario Museum is setting the standards for good, even excellent, severance pay legislation as promised by Bob Elgie in the spring of this year. One week's pay for every year worked is peanuts in comparison to what the museum management offered to one of its employees considered redundant. Because of Mr. Harvey's 12 years of dedicated service to the ROM, the board of trustees has confirmed what are really quite generous settlement terms. A year's salary was to be given to him as severance pay, or \$30,000. That works out to one and a half month's pay per year of service.

Do you think there is something of a double standard in these kinds of management severance terms and a few others I have heard about? I think of the chairman of the Houdaille board and the fight we are having to justify even one week's pay in terms of workers. Would the union movement accept one and a half month's pay per year of service?

Mr. Pilkey: As a matter of fact, because I am in an elected position, I would not even look at that.

Mr. Elleen: Mr. Pilkey and the staff get the same severance pay in our establishment, one week for one year of work. Certainly in the so-called management category, higher categories, like one of the chief officials at ROM that was mentioned, and in the companies, there are means for these officials to achieve some sort of justice through the courts and so on, but for workers it is another thing. That is why we need legislation brought in for severance pay.

Mr. Meagher: Mr. Chairman, the point that I would like to make is maybe this would be supportive of the brief that was presented by the Chamber of Commerce this morning. I see that ROM has gone on a public fund-raising campaign. I hope it was not as a result of the generous severance pay.

Mr. Chairman: If the southwest corner of University and Bloor had been reserved for a profit-making operation, there would be a Harvey's there.

Mr. Peacock: Would you permit a comment on the submission made to you this morning? I would urge you very, very strongly to draw a distinction between the purpose of notice pay as now found in the Employment Standards Act and the purpose of severance pay as we are submitting it to you. Notwithstanding what was said to you this morning by the chamber, there is a very definite difference. They have an entirely different purpose and concept. Notice pay relates to adjustment. Severance pay relates to equity. The only equity a worker has is his job and the skills and the experience that go with it. That is what we are talking about here. It is an entirely different concept. It is the loss of that equity that is being compensated when we are talking about severance pay.

Mr. Meagher: Mr. Chairman, if I might, I would raise one quick point I heard discussed at length this morning on the chamber's brief. They keep referring to the fact that the legislation that is in place in the province of Ontario is the best in Canada I think, or the most in Canada is the way that they put it. There is a reason for it. Ontario is the industrial heartland of this country. We certainly have not asked a committee of the legislature to sit down and look at the fishing industry for very good reason. I suggest to you that it's right and proper that Ontario should be leading the way in this legislation. I think that kind of an argument is not relevant to the situation at all.

Mr. Van Horne: Mr. Chairman, before these people leave, could we have, or does the clerk have, the information about what the average is for those people that do have severance agreements, or are most of them the same? Do they come into that one week per year's service class? Is that information readily available?

Mr. Chairman: We have some from the Ministry of Labour.

Mr. Peacock: That should check out from the collective agreements library survey. It is on computer.

Mr. Pilkey: You will even find that in some of the public sector schemes, I would think, more than in the private sector.

Mr. Pryde: I would just like to make one comment nobody has touched on yet. We certainly encountered it with our presentation for cabinet in December, and I am sure you have had it here on many occasions. That is the relative position of Ontario to its neighbouring jurisdictions and comparisons, valid or otherwise, with western European nations.

On the matter of comparison, I think the most valid thing for the committee to decide is where Ontario sits now compared with Ontario five years ago. If we do indeed have an economic situation here that may pale compared with the situation in El Salvador or someplace, it is still pretty dire when compared with the situation in Windsor, compared with the situation in Lindsay, compared with the situation even today in Cambridge, three, four or five years ago.

Mr. Pilkey: I want to thank you, Mr. Chairman, and the committee for giving us the opportunity to make this presentation. I can tell you we are going to be looking with great anxiety at the results of the determinations of this committee because you we are expecting that you are going to look at many of the things we have proposed in a very positive way. I want to thank you.

Mr. Chairman: Mr. Pilkey, gentlemen, thanks very much for your time and your help. The committee is adjourned until two o'clock.

The committee recessed at 12:44 p.m.

LEGISLATURE OF ONTARIO

SELECT COMMITTEE ON PLANT SHUTDOWNS AND EMPLOYEE ADJUSTMENT

THURSDAY, JANUARY 22, 1981

The committee resumed at 2:10 p.m. in committee room No. 1.

INTERNATIONAL ASSOCIATION OF MACHINISTS AND AEROSPACE WORKERS

Mr. Chairman: I will call the meeting to order. We are pleased the Treasurer can be with us. Everybody knows the background to the meeting and the discussion.

Mr. Miller?

Hon. F. S. Miller: When I last left you, we were discussing my legal obligations under the laws of stats Ontario and stats Canada. I told you I would go back and seek legal advice on my responsibilities as the forwarder of certain information that is classified or considered confidential under stats Canada and/or stats Ontario acts.

The statistics in question we talked about in the report were obtained from Statistics Canada because of an agreement the Ministry of Treasury and Economics has with Canada and they were presented in tabular form so that they could identify firms and the sources of information which by law you are not supposed to reveal.

The Statistics Act of Canada stipulates that except for very narrow exceptions, those figures cannot be disclosed. There are offence and penalty sections in the act, I think \$5,000 fine maximum, six months in jail. Running a campaign from jail may be easier, I'm not sure. The advice I was given on an oral basis by my lawyer, one of my lawyers, was that the Speaker's warrant does not overrule the statutes of Canada, but it would overrule the statutes of Ontario. Therefore materials that are subject to Ontario statutes can be compelled by this committee. Those that are governed by other statutes cannot be.

I have asked the Attorney General by letter today to confirm the oral advice I have been given or, in fact, to refute it. The request specifically to the Attorney General asks whether a minister can be compelled to disclose information which is made confidential by a federal statute--we accept the provincial one--where that statute prohibits disclosure.

With all that in the background I simply would say this. We have gone through the paper. I have read nearly every page and I have looked at every page. My staff have done so also, keeping in mind the sources of the information in the paper. I have given you my reasons in principle for not wishing to disclose this kind of paper and I recognize you have not accepted those reasons.

However, I am going to give to the chairman now a copy of the document from which we have removed pages 68 to 91 which were the only pages we could find using confidential material. And

those whole pages did not only contain the statistics, but contained inferences from them and dealt specifically with the parts sector. They make reference to statistical information that identifies firms to the statistics.

The rest of the document I think you will find really is not materially changed by that removal. You will be able to see the kinds of things, the predictions of employment and so on and so forth which were the source of material and the Toronto Star reported upon. And you will be able to look at those in great detail, I am sure. I have that copy which is that large and I present to the chairman of the committee.

Now what you do under the law with it is, of course, the committee's business. You, I understand, will have to face the same problems I have but there it is.

Mr. Chairman: Thank you, Mr. Miller. Some members of the committee have a question or comment. Mr. O'Neil?

Mr. O'Neil: Mr. Miller, those pages that you have removed from this report, are there any sections or parts of those pages that could be left in the report?

Hon. F. S. Miller: I read them once and my staff have read them several times. And the problem is that all of them are a cohesive part of the report, they are basically a chapter of the report, and the whole thing is tied together by statistics. So that even reading sentences, paragraphs, one can identify the kinds of information that would be considered to be an infraction or an offence under the federal statute.

I am awaiting the decision of the Attorney General on whether those pages are compellable. I am saying today is I haven't said I refuse to produce those pages, but as I understand it today, if I gave them to you voluntarily I would not only be subject to action by the federal government, but, perhaps even more importantly, the agreement with Statistics Canada that Ontario has would be nullified and they could, in fact, stop providing us with the massive data we get on all kinds of topics. Because that is one of the conditions of the act, that the material we get is subject to us treating it confidentially.

If the ruling is otherwise, of course, then we have another day to discuss the pages that are missing.

Mr. O'Neil: You also mentioned that that report had been condensed into about 20 pages for yourself?

Hon. F. S. Miller: No, I think if you read the Hansard quite carefully the other day when somebody, I think Mr. Cooke, brought that point up, I said I had a 20-page condensation; I could not say whether it was of this report. I still say, having now read the report, which I had not at that time, that the condensation I received in terms of just a staff overview of the auto industry was not of a report but of their points of view and expressed their thought in general rather than just based on the document you have.

The reason for me giving the document to you today is this: I know you are anxious to see the bulk of the material. I think you will see the bulk of the material and I do not think that the data missing are going to, in fact, reduce its value to you. I did not want to have an ongoing dogfight which I easily could have had, I could have sat back and said, "No revelations until I get the final piece of advice," but in what I hope is a spirit of co-operation, you have what I feel I can give you today, under duress.

Mr. O'Neil: Might I also ask, Mr. Minister, whether you would be prepared, if it is felt after the members of this committee have a look at the document less those pages, that we would like to have a look at those pages, possibly we could have a small subcommittee--

Hon. F. S. Miller: My understanding of the law is I would not be permitted to do that, that I would be committing an offence under the act, and I would rather get the ruling as to whether I can present them as I have now to the committee, or get the ruling that I cannot present them to the committee.

Mr. O'Neil: In other words, you are looking for that ruling some time within the next couple of days?

Hon. F. S. Miller: My oral advice is that I cannot. I am asking for a second advice.

Mr. Martel: My concern, Mr. Chairman, was simply the pages that were extracted, and how much was there that was not of a nature that we could still see. From your response to Mr. O'Neil, I would then pass, Mr. Chairman.

Mr. Chairman: Pardon?

Mr. Martel: I am saying with the response the Treasurer gave to Mr. O'Neil, I would then pass.

Mr. Chairman: You can understand why I was taken aback.

Mr. Martel: I was not sure what jolted you.

Mr. Van Horne: Mr. Chairman, I am wondering if you were able to determine whether or not the reporter of the Star had access to the report itself or to that summary that has been referred to.

Hon. F. S. Miller: He certainly did not have access to the summary because it did not exist at the time--well, it did exist at the time.

Mr. Van Horne: I thought you said it had.

Hon. F. S. Miller: I saw him the day after I saw the summary. No, he had spoken to me before the summary was prepared for me. I think there was at least a week and maybe two weeks interval between the phone call and the interview in my office. It was during that time that the summation was made. There is nothing

in the summary that I know of that would not be in general discussed in this report.

Incidentally, you will find, as I have found, that some of the statistics he has used are not necessarily those of this report, simply because he has rounded out figures, I believe.

Whether he had access to the report remains to me a mystery in a sense of did he see it. I sense he did not, I sense he has done some patient work which somehow gave him an oral interpretation of what was there rather than a visual one, but I do not know that.

Mr. Van Horne: Is there an indication of when that report was completed, by the way? Was it last fall?

Hon. F. S. Miller: Pardon?

Mr. Van Horne: Is there an indication of when that was completed or how long it was worked on?

Hon. F. S. Miller: I have no idea when they were working on it but I would suspect they were working right across the summer on it.

Mr. Van Horne: He could have had some or parts of it for a long period of time.

Mr. Chairman: Mr. Van Horne, may I have a supplementary just on that point? Mr. Miller, help me. My recollection is that you requested that such a study be done.

Hon. F. S. Miller: No. What I requested, and as I think the Hansard report states yesterday, was not something on the auto industry. I requested my staff to send me much more general information on all aspects of the economy as think pieces to pepper me with ideas and thoughts.

2:20 p.m.

Mr. Martel: Could we have all the others, too?

Hon. F. S. Miller: Most of my studies are oral briefings. As a matter of fact, everything now is on inflammable paper.

Mr. Van Horne: Which has already found its way to the shredder.

Mr. Martel: The shredder is not working very well.

Mr. Van Horne: We do have one more week of hearings. Then, after that, it is into the writing and gathering of our thoughts for the final report. Would you or your staff be available if we wanted to pursue aspects of this during the week that we do our writing?

Hon. F. S. Miller: I do not know what your committee

procedures are. I have generally followed the policy of being as available for members as I can be when they need me. I think it is--

Mr. Cooke: Look how quickly we got you here in the last two days.

Hon. F. S. Miller: I came once without even being asked.

Mr. Cooke: We are very grateful.

Hon. F. S. Miller: I recognize that. I expect you will vote for me in the next election.

Interjection: I doubt that.

Mr. Martel: That is carrying it a bit far.

Mr. Cooke: I have a couple of questions. First, it is our understanding that this report was sent to a consulting firm in the States, Payne Webber, and the individual who reviewed it for the government is a Mariane Keller. Were the sections that we are not allowed to see because of the confidentiality sent for review to this consulting firm as well?

Hon. F. S. Miller: When you asked me the question the other day, I had no idea what involvement a consultant had had. My belief was we had probably hired a consultant to collect facts and assist us in the general assessment and preparation of the report. That was not so. The firm you referred to--I assume it is the same firm--was hired by the ministry as one would hire a lawyer or specialist, as perhaps the most knowledgeable firm on the auto industry and used as a verification source for us on a strictly confidential basis. Therefore, it was acting as our counsel, in effect, or under the terms of our confidentiality. That is, I believe, not unusual.

Mr. Cooke: On your November 13, I believe it was, mini-budget, you indicated you were going to conduct a long-term study of the auto industry. Is this the study?

Hon. F. S. Miller: No.

Mr. Cooke: This is another study.

Hon. F. S. Miller: This study, I have to tell you, is in preliminary draft form.

Mr. Chairman: Yes, and it is marked that way, too.

Hon. F. S. Miller: You are getting one of the ones that I understand was in circulation in the ministry.

Mr. Cooke: The comment in your mini-budget is a different study.

Hon. F. S. Miller: I would have to go back and read the words in my mini-budget to make sure of the study as phrased

there. I was referring, as I recall, to (inaudible) function, was I not, the board of industrial leadership and developments?

Mr. Cooke: On page seven of your budget it is indicated that a large-scale review of the industry's prospects and problems is now under way to determine what more Ontario can do to secure the industry's longer-term future.

Hon. F. S. Miller: One of the things I commented to Mr. Daw was that one should not assume that the information flowing to the Treasurer is being ignored and that we are not preparing to take action.

The other day I documented a number of things that were done. Obviously, I cannot tell you what we are going to do before we announce the policy. But I can assure you that based on our concerns, some of which are expressed in this report, which is a thorough report, we are preparing action. I want to talk to some of my federal colleagues on some of the matters before--

Mr. Cooke: The comments made on page seven of your mini-budget, are they the review that was under way--that you describe in your mini-budget?

Hon. F. S. Miller: I have not got an official review back yet, to answer your question.

Mr. Cooke: So that is a separate review.

Hon. F. S. Miller: We are working with a couple of ministries.

Mr. Cooke: The 23 pages that we will not see deal with the auto parts industry, from what you said?

Hon. F. S. Miller: Again, in the report, we have not removed the index, nor have we changed the index which shows you the titles of the missing pages.

Mr. Cooke: What I want to know is whether these 23 pages have the crucial analysis of the auto parts industry.

Hon. F. S. Miller: No, you will see what you want to see in the body of the report that was there. I think it is more company-specific than industries.

Mr. Mackenzie: Mr. Cooke has asked the questions I was concerned with. You had mentioned in your opening remarks that the pages that are deleted, pages 68 to 91, were in effect a chapter of the report. That is what concerned me. Was it an indigenous chapter, a separate chapter, and can we pick up the thread of it from the page headings?

Hon. F. S. Miller: Yes, I think you will be quite satisfied. You can see all the things you are looking for.

Mr. Mackenzie: When you have a final interpretation and if it allows or suggests that you are not at fault in releasing

that section as well, are you prepared to do that if the committee so--

Hon. F. S. Miller: Yes. My reason today was based on legal advice, not on any other reason.

Mr. O'Neil: Mr. Minister, are there any other similar reports such as this in your possession now or which you expect shortly that would assist this committee in its final report at the beginning of February?

Hon. F. S. Miller: I do not know how to answer that question. I cannot produce any document today that is about to be ready for me. Nobody has come to me in the last week and said this is what we are going to be doing. If there are not people working on the auto parts and the auto industry's problems in general, then something is wrong with my ministry.

Do not assume that I have no one worrying about it--therefore, pieces of paper indicating their worry--but if you asked me to go back in history, and say, have there been other think pieces at other times, the answer, of course, is yes. It is not something you do once; you do it continuously.

This, I would argue, is part of the most recent piece to have the kind of in-depth study that was done. Most times you get a one-page memo or somebody slips in and tells you about a specific problem.

Mr. O'Neil: You also mentioned that at this stage you are not prepared to announce any policies concerning the auto industry. Will you be shortly, or do we have to wait for the election for that?

Hon. F. S. Miller: Since I do not have any dates, I cannot answer that.

Mr. Chairman: We have a bunch of them.

Hon. F. S. Miller: I am betting May 28.

Mr. Cureatz: Mr. Treasurer, on behalf of the committee, I want to thank you for being extremely responsive in terms of appearing two days ago. There was a great debate as to whether you should be here at two o'clock or four o'clock. We appreciate it that you made it at two.

Hon. F. S. Miller: I am delighted to be here. I was prepared to be here this afternoon, but I had a major final step in the budget function promised for two o'clock and that is why I was hoping to be there.

2:30 p.m.

Mr. Chairman: May I call the representatives from the International Association of Machinists.

Gentlemen, on behalf of the committee, I welcome you

officially to our hearings and thank you for coming. I know that Mr. Rygus has been here before, and I know his colleague has as well. You have been through this in the past so you know we are in your hands. We have copies of your brief and, if you would proceed ahead, Mike, just identify yourself, please, before you begin. Time permitting, there will be questions.

Mr. Rygus: Just to comply with all the protocol, my name is Mike Rygus, and I am Canadian vice-president of the International Association of Machinists and Aerospace Workers in Ottawa, speaking on behalf of our Local 901, whose members are employed by the Canadian SKF Company in Scarborough.

We have a concise brief for you here and want to elaborate orally on some of the addenda to the brief. We certainly are aware that we are in your hands in so far as further questioning, elaboration and so forth is concerned. We have some time and are not as hard pressed as we seemed to be on other occasions.

We are pleased to have the opportunity to appear once more before your committee. We do not wish to repeat what we said in our previous appearance about the SKF case, but will comment briefly on the appearance of the SKF management group before the committee, then deal with the committee's interim report and our recommendations to the committee.

First of all, we must express our disappointment that the committee never pursued the issue of the economic justification for the SKF closing to a conclusion. It is unfortunate that the committee, without obtaining any detailed financial data on SKF Canada's operations, repeated in the interim report the company's unsupported contention that tariffs were the cause of its shutdown plans. We have seen nothing to alter our view that the shutdown is not justifiable in a strong and growing industry.

The interim report quotes the company's statement that SKF Canada suffered losses in six of the last 10 years. Data on SKF Canada's full operations has not, however, been made available, and the purported losses came from SKF's internal bookkeeping, in figures created especially for this committee.

All of us know how skilful accountants can handle figures. If you use the right selected figures you can just about come to any conclusion and all of that can be nicely within the law. I am not saying that SKF management violated any law, but I always deem it suspect when we are given selective information, and it is not the kind of official information that ought to have been available to this committee.

No information has been presented on internal transfer pricing and management and other fees paid to SKF headquarters and other factors that would provide a more comprehensive picture.

SKF obviously finds it very profitable to sell bearings in Canada. On the basis of one usable number provided by the company to the committee--an after-tax profit of \$3.126 million for SKF Canada in 1979, with a corporate tax rate of 46 per cent--we can estimate a pre-tax profit of \$5.789 million. By subtracting the

manufacturing sales and profit figures provided by the company, we can estimate a profit of \$3.613 million on distribution sales of \$38.7 million.

SKF would appear to have made a 9.3 per cent net profit on sales, purely on distribution of its foreign-made bearings. If we accept that they are transferring products between divisions at fair market value, the manufacturing profit would have been earned before the bearings were imported. This would also be in addition to management fees and other royalty payments to the Swedish parent.

With easy profits like these in what they claim is a very tightly competitive market, we can understand why SKF would be happy to stop manufacturing and simply import to this market.

We are also concerned that the interim report restates the company's flimsy claim that the lack of tariff protection is the cause of the plant's demise. By the way, all of you know that tariffs in the recent GATT agreement, the reductions in the main were from 15 per cent to nine per cent over an eight-year period. I fail to see how a nominal decrease of that magnitude over that time frame could have a major or significant impact on the company's operations. Bearings had no tariff previously and have no tariff now, and when the company is talking about tariff reductions they are really talking about from 15 per cent to nine per cent.

Let us look at the other side of the coin. The currencies of competing locations, where SKF is expanding production, have risen substantially relative to the Canadian dollar over the last 10 years, as shown in the attached table.

We draw your attention to the first page following the brief that talks about appreciation against the Canadian dollar: a period of 10 years, 1971 to 1981; five countries. The British pound, 15.5 per cent; the French franc, 38.1 per cent; the West German mark, over 100 per cent; the Japanese yen, over 100 per cent; and the US dollar, 18.7 per cent. These figures make the tariff question relatively insignificant, particularly in the light of the company's apparently very large distribution profit margins.

SKF management, as they admitted to the committee, had made no representations for improved protection to the federal government in recent years, because it is in their interest, as they move towards fully supplying their Canadian customers from outside of Canada, for protection to be reduced as far and as quickly as possible.

We believe that management prerogatives in decision-making cannot be unlimited. Governments must take a positive role to ensure that corporations meet their social obligations. The public interest, as well as the interest of the workers involved, must be taken into account before decisions on shutdowns are made.

We believe that the SKF case gives strong evidence that it is essential that a shutdown or major layoff must be justified

before a public tribunal well in advance of any shutdown. It is imperative that all relevant financial information be publicly available. The lack of basic corporate accountability is shameful. The argument put forward by SKF's lawyers, that any financial disclosure would harm the company's competitive position, is ridiculous.

2:40 p.m.

Canadian public companies and most domestic private companies must and do release financial data without detrimental competitive consequences. The multinational expects preferential treatment that is not offered to Canadian companies. Most other countries in which SKF does business have far stricter requirements for public information than Canada requires, even of public companies.

The committee's interim report raises the question of the effect of stricter closing requirements on Ontario's ability to attract new investment. The evidence from other countries is that stricter requirements do not discourage any investment that we would want in Ontario. Stricter requirements, in fact, seem to be essential to stop continuing disinvestments. Canada has a substantial and advanced market, a skilled and moderate cost labour force, access to a relatively secure, long-run energy supply. We do not have to deal fearfully and timidly with the multinationals.

There are few countries that have less control over shutdowns than Canada. Though the committee has probably reviewed the policies of others, we attach some articles which provide some examples. In Britain, workers typically receive severance payments of more than a year's earnings. ITT estimates that it costs \$20,000 to terminate a single employee in Europe. In Spain, 20 per cent of ITT's telecommunications payroll have no work but cannot be laid off.

We are not arguing for feather-bedding, but Canadian politicians' exaggerated fear of placing reasonable responsibility on corporations makes us an easy prey for groups like SKF, who simply close manufacturing operations, take their profits and run.

I want to draw your attention to some of the attachments. The same sheet we looked at before sets out comparable wage rates and benefits of many of the countries where SKF has operations. Information is taken from the *Globe and Mail*, August 25, 1980, article. A very timely article from the *Wall Street Journal*, which by the way, is not a union publication so it cannot be suspect in this case, contained some very interesting information of what happens in Britain. On the back of that page, the third column, the first full paragraph reads:

"Still, there's some cheer in Corby. Workers are starting to get their full severance payments. Under an agreement between British Steel and Corby unions, workers who had been employed for more than six months typically get 61 weeks' earnings; settlements of \$17,000 aren't uncommon and some run to more than double that."

As a result, Corby merchants are enjoying a boom despite a slump in retailing in most of the country."

Mr. Mancini: Is that a crown corporation?

Mr. Rygus: British Steel? Yes, now it is.

The next paragraph deals with extensive restructuring programs. The next page is another extract from Business Week dated December 15, 1980, the first full column there. The paragraph starts at "Electronic switches" and talks about IT and T:

"...can be built in simpler factories and with several times fewer employees. ITT employs 70,000 of its 100,000 European telecommunications workers in the making of switches, and in Europe, government and union rules push costs to about \$20,000 to terminate a single employee. In some countries, layoffs have become almost impossible. Araskog concedes that right now 3,000 out of some 15,000 ITT telecommunications employees in Spain are on the payroll but have no work."

You can read the rest of the article yourselves.

Let us look at the next article, a very timely one--Business Week, January 12, 1981: "Common Market, A Call For Multinationals To Tell Labour Their Plans." If you ever saw a blueprint for how to cope with the kind of problems we are talking about here, this is really worthwhile reading. It talks about disclosures of global operations to local labour unions twice a year, with penalties for failure to comply. This is advance information, not after the decision to shut down the plant or to implement major layoffs.

This is on an ongoing operational basis, to furnish the local unions in those countries complete information, production and investment plans, rationalization programs and all of those other things that make it possible for unions and workers to intelligently understand what is going on in the total corporate picture.

Here, we are talking about some limited information to be divulged to this committee, and the company has the brazen tenacity to come and say here that we have argued elsewhere and some court or judge agrees with us that we should not even give you this token information--financial information of the past, not what we are contemplating in the future.

I urge you to read that article, because you are going to hear a great deal about it in the future. The vast majority of SKF operations are in those countries. Also, there is an interesting article from the Ottawa Citizen dated December 12, which further elaborates on comparative wage rates and benefits in Canada and some of the major countries where SKF conducts its operations.

Back to our brief. The government must require public justification for plant shutdowns and major layoffs. Such justification must look beyond the multinational corporation's

profit maximization to the effects on the Canadian and Ontario economies and the affected communities.

Where the company's plans are not justified, the government must ensure that the operation continues--run by the company, by another purchaser, by joint venture or, if necessary, by the government. In some cases, employees have purchased the company and operated it successfully. We must exhaust all options before a plant closure is accepted as a fait accompli.

To deal with cases like SKF, in which the company plans to make substantial profits in Canada by selling products manufactured elsewhere, the provincial and federal governments must be willing to embargo imports, as some countries are doing, impose special taxes or undertake preference in government and private procurement, to provide an incentive for manufacturing operations in Ontario and Canada. Other countries are doing it, so we cannot afford to be pious idealists.

Free trade does not exist outside of mythology. To abdicate the responsibility for guiding our own economic destiny in the name of free trade is simply to let others control our economic destinies.

Much has been made of the necessity to compete in making our economic environment attractive to business. Competition should not mean sacrifices by the public and the workers and gravy for the corporations. Sound industrial policy means assuring that our economy performs fairly and equitably for all concerned.

At the present time, the social and economic costs of shutdowns and layoffs are absorbed by the workers affected, their communities and society at large, through increased welfare and unemployment payments, rising health care costs and a general economic decline. The company, on the other hand, can take its profits and run, or continue to make profits by selling imported products.

SKF's prime concern in dealing with its employees since the announcement of the shutdown has been that production continues smoothly and that their employees leave as quietly and as cheaply as possible.

2:50 p.m.

We believe that when a shutdown or layoff cannot be avoided, the company's first responsibility must be to its employees. Severance pay of at least one week per year of service and financial assistance for retraining and relocation of displaced workers must be required of all companies. As in Europe, the company must be required to meet and agree with employee representatives on the provisions for displaced workers before any shutdown or layoff can take place. Early notice of planned layoffs and shutdowns is essential, but it means little unless the company is obligated by law to negotiate.

We oppose the increased use of public funds like the unemployment insurance fund to subsidize employers by taking over

their social responsibilities. The obligation to workers must have first call on the company's assets.

The shortcomings of the current system of private pension coverage is particularly important in the case of layoffs or shutdowns. The most important fact is that the majority of private sector workers have no company pension coverage at all. As I said at the previous meeting, more than 50 per cent of nongovernment workers in this country have no employer pension coverage. That is the sad state of our social system here. You certainly cannot compare that with the countries in western Europe, for example. Most of those that do are eligible, at best, for inadequate pension.

Taking the SKF group as an example, 126 of the 311 workers to be laid off would not be eligible for any pension under the 10 years of service and age 40 minimum vesting requirements of the plan, though some would have up to 17 years of service. Because the shutdown of the manufacturing operation would probably be considered a "partial termination" of the pension plan under Ontario Pension Benefits Act, these people are likely to be eligible for at least some benefit. Because the company has consistently refused to provide any information on the funding of the pension plan, we are unable to assess the potential benefits which are funded.

Of the remaining 215 employees with service of up to 31 years, none is eligible, even after waiting until they reach age 65, for a pension of even \$200 a month. Early retirement is available at age 60, but with a reduction in benefits of up to 30 per cent. Over 100 employees are aged 50 to 59 and do not become eligible to draw even their reduced pension until they reach age 60.

In the long run, the only possible way to meet the shortcomings of our present retirement income system is through major upgrading of our public pension schemes. In the short run, however, and to fill in the inevitable gaps in any public scheme, we must improve the private pension system. Earned pension credits must be guaranteed to terminated employees, and a portability option should be provided.

Separate from the existing pension plan, but as part of the requirements for a major layoff, companies must be required to provide "bridging" payments until normal retirement age for workers over 50 years of age who can find no new employment.

The government must meet its responsibility to protect the public interest. It must require full prior justification for all shutdowns and layoffs and ensure that the interests of Ontario's workers are protected.

The Acting Chairman (Mr. Ramsay): Thank you very much, Mr. Rygus. Are there any questions? Mr. Martel?

Mr. Martel: The only point, and I want to draw on staff because Mr. Rygus makes some, I think, legitimate criticism of committee, is that we did not acquire the books. There was some

reason, and I cannot recall outside of this superficial item. I think there was a meeting though and I certainly was not at it with members of the committee and the corporation, was there not? And their lawyer? At which that was thrashed out?

Mr. Eichmanis: They indicated that under the federal legislation certain documents with information were allowed to be made confidential and to (inaudible) that and that decision was upheld that it should be made confidential.

Mr. Martel: And it was upheld in the courts.

Mr. Eichmanis: Yes, and then it was up to the committee to decide whether they were going to ask for the books or not and the committee did not make a decision on that matter.

Mr. Martel: We did not make a decision, no.

Mr. Jennings: They gave us the decision, the information from the decision that was made.

Mr. Martel: Yes, I read that.

Mr. Jennings: The committee, subsequent to that, did not make any further decision on acquiring the books.

Mr. Martel: Mr. Chairman, based on the content of Mr. Rygus' report and the arguments he presents, it seems to me that we should then have a look at the books.

The Acting Chairman: Is that a motion, Mr. Martel.

Mr. Martel: I am prepared to put it in the form of a motion if I have to. I would hope we do not--

Mr. Mancini: Would you repeat that?

Mr. Martel: Based on the arguments that are presented here, which indicate that in Europe they give more information than they are prepared to do here, based on the fact the tariffs now are brought into question in terms of there having been none, or virtually none, in certain sectors of that, I think it is time maybe that we had a look at those books. I am prepared to make a motion, but I would hope that the committee would agree to it without motion that we ask for the books for the past five or six years.

The Acting Chairman: Does any other member of the committee wish to comment?

Mr. Mancini: Yes, I think that is the proper way to proceed, to ask first and if we have to, possibly take other measures. If the committee feels that there is information there that we could put to use in writing our report, we cannot ignore the fact that we have used the Speaker's warrant on several occasions now to extract information and financial figures from several corporations. I am not sure how helpful it has been but it is interesting information. I just would not want to do it

frivolously. If we think it could be used in helping us write the report, because we have Bendix and some other company we have got--

The Acting Chairman: Just one moment, a bit of information. I have been advised that SKF have indicated that they would--that we would not need a Speaker's warrant.

Mr. Jennings: Yes, we would not need a Speaker's warrant.

The Acting Chairman: That if requested that they would provide the information.

Mr. Martel: Yes, I think as I say, there is enough that calls into question what is occurring and the erosion and the way it has occurred, that we have got to have a look at those books.

Mr. Cureatz: For clarification, in terms of information that SKF makes available for the common market but not made available for unions here in Ontario. Is that the gist of what you are driving at?

Mr. Martel: It is not made available to anyone here, Sam.

Mr. Cureatz: All right. That is fine. I agree totally. If we ask politely and we get it, fine. If not, we will go for a warrant.

The Acting Chairman: All right. That is agreed then?

Next person on the list is Mr. Johnston and would you go ahead, please.

Mr. R. E. Johnston: The point I wanted to make was that one. As the member for the riding affected, I too agree with the union that we should not just accept the tariff notion.

The arguments made in terms of the difference in wages in the various countries where SKF works, the difference in the inflation rates, comparison with the change in tariff rates, are all exceptionally good arguments and the need to have this information is very clear to me; I just hope we ask for it in a clear enough way. Or you may have to find that you are going to have go back asking very specifically for the breakdown between aspects about the way that plant operates in terms of the way they hide profits.

I am convinced that will indicate that what the union is saying here about the profit margins will not only be substantiated but also probably indicate that the profits are better than they are actually showing here.

I was disappointed to realize, in talking with the union, that the committee had not yet requested this information; I presumed it would have by this time. The only reason I wanted to be here today to support the union again, was to say that we need it and if there is a problem of staff time and committee time in looking at this, I would be willing to contribute a fair amount of my time to go over the information with committee staff in order

to be able to do some sort of summary for you.

3 p.m.

Mr. Chairman: To bring me up to date, you decided to do what? I'm sorry, I didn't hear it.

Mr. R. F. Johnston: It was about asking for the financial information from SKF. They indicated that they did not want us to ask, but if we did ask they would comply. It's not a Speaker's warrant but just a request for the information.

Mr. Mackenzie: We have just never gone forward with that.

Mr. Chairman: Am I right that we still have somewhere in a vault in the building about 80,000 pounds of working papers for the years up to 1978 or whatever it was?

Mr. Jennings: For Armstrong you are talking about, aren't you?

Mr. Martel: That was Essex. They did not want to come and they sent it. They had a new auditor in 1978.

Mr. R. F. Johnston: We had a one-page summary from SKF of their own development and their own accounting. I would rather see the full books. I am willing to commit my time to work on getting that information.

Mr. Martel: I am the world's worst at trying to understand figures. If we are going to get the type of in-depth study of those reports and the background material, have we got anyone that we can bring in who has the expertise to sift through the chaff and who understands what we are precisely looking for and can separate it? Is there anyone on staff, either up in the library or elsewhere?

Mr. Jennings: I have an MRA and some experience with an accounting company, but I'm not sure that information will be available just from what they give us.

Mr. Martel: The point I am trying to get at is can someone who looks at it, say: "Oh, wait a second. There's something missing here"? Is that possible to do?

Mr. Jennings: If they give us the information on how the sales are recorded, for instance, the sales that the parent company makes to the Canadian subsidiary before they are distributed, we can see what kind of profit margin there is there compared to manufactured products in Canada.

Mr. Martel: Okay. When you have determined that, there is the necessity to translate that into what the value of the dollar is to see whether it's profitable to retrench or whether it is just a case of supplying offshore.

Mr. Jennings: The cost would be in one currency. For instance, the annual report for SKF International is all in

Swedish kronor. They don't have any legal requirements to keep those records. The records would probably not be in the form that a company would keep them that would satisfy normal accepted accounting principles.

So it depends. The way they would keep the records would not be in the style that they would necessarily keep them if they had requirements to report them.

Mr. Martel: They could juggle the books. I'm not saying they would, but I'm saying it's possible.

Mr. Jennings: They would not be detailed, audited records in the same sense that they would be if they had requirement to report.

Mr. R. F. Johnston: Are we better to be asking for specific pieces of information? Let's go back. We will be able to look at what we get and know what's missing in terms of the kind of information we want. Then we will be able to pose the questions to them in financial terms for the information we want extracted. That is what I am hoping to get out of this. If the books themselves are not in a fashion that they give us the information directly, we will know what's missing or the areas where we would need more information and then be able to pose those questions intelligently.

Mr. Jennings: Yes.

Mr. R. F. Johnston: I think it's worth while getting it then.

Mr. Chairman: Mr. Ramsay was on the list, if there was another list of names.

Mr. Ramsay: No, there was nobody else. Mr. Ryqus, I agree completely with what you say on page six about the inadequacies of private pension coverage in many plants, but I think I am seeing something for the first time here, and you can correct me if I am wrong or not.

On page seven you say, "As separate from the existing pension plan but as part of the requirements for a major layoff, companies must be required to provide bridging payments until normal retirement age for workers over 50 years of age who can find no new employment."

I would ask staff if I am incorrect, but that seems to be the first time that a suggestion of that nature has been introduced before this committee. Could you elaborate a bit on it and then I will know whether it is brand new or not?

Mr. Ryqus: We are getting into areas now in some industries where we know that changes, technological and otherwise, are going to take place. In some instances you can know several years in advance. We are starting to make provisions and agreements that there will in turn be greater amount of pension pay for several years prior to normal retirement age. You can do

many things without getting involved into very excessive amounts of money in totality. You can take a select problem and say, "Let's deal with that. If it's going to affect 10 per cent of the workers, let's look after them in this kind of way." It is not a new idea, but it may be a new recommendation here. It needs to be looked at in these kinds of circumstances.

Mr. Ramsay: This would be in addition to unemployment insurance benefits and in addition to severance pay.

Mr. Rygus: Absolutely.

Mr. Ramsay: Just one other question. You say on page six, "We oppose the increased use of public funds like the unemployment insurance fund to subsidize employers by taking over their social responsibility." What do you mean by the increased use of public funds?

Mr. Rygus: It's very convenient for the company to dump on the scrap heap 100, 200, 500 or 1,000 workers and say, "That's the end of our responsibilities. Let social benefits take care of that, unemployment insurance or welfare costs and everything else." And I believe that's not the way the responsibilities should be handled.

Mr. Chairman: Any questions or comments from members of the committee? I just apologize. We have had kind of a screwy day here today and I have to get caught up on a couple of things that I was not able to get at earlier this morning. I will read the brief. Members of the committee who are not here now have access to the brief and the transcripts to look at the questioning and, I think, normally try to do that.

Thank you both very much for being here with us this afternoon. We will have our final report ready, if all goes well, two weeks today. That's our target date.

Mr. Martel: I chuckle.

Mr. Chairman: Well, we weren't chuckling yesterday either, but we are now. Anyway, thanks very much.

Are there any other matters before the committee?

Mr. Mackenzie: I think from just this brief itself a look at the figures that are involved in terms of what kind of pensions the workers at an established plant with an organized contract and the numbers involved that are going to end up with any real benefit should underline the serious look we are going to have to take in our report at the whole question of pension plans, the portability and the vesting periods and what kind of a depository agency we have where employees move. It is absolutely essential or we have missed a major area of concern. It is one of the major problems in terms of major plant shutdowns.

Mr. G. Taylor: Mr. Mackenzie, on that point, and even one of the representatives of the union gave evidence on it, surely you must put that and apply it in the sequence that those

are the pensions that were negotiated over periods of time and those are what the employees desired. When a plant closes and then you see what you really have, is that then a situation for the state to be involved in?

Mr. Mackenzie: Mr. Taylor, I don't know if you will ever learn. We have gone over this again and again. The union would probably ask for one hell of a lot more, as many of them would. You achieve only so much in collective bargaining. There are other things that you have to look at.

Mr. G. Taylor: The costs of these are totally different. You bargain for those people that are securing union contracts for far more than what the general public is receiving.

Mr. Mackenzie: You should see what the heck is happening in terms of management personnel in both pensions and severance pay.

Mr. G. Taylor: But if I were to ask you what your pension is now, and if it is not what you think it should be, is that then an interference time for the government to be involved.

Mr. Mackenzie: We have voted ourselves a little better pension arrangement than most of these people have.

3:10 p.m.

Mr. G. Taylor: I notice that, but who votes for those things?

Mr. Rygus: May I make one comment before I leave? It won't take a minute.

I want to repeat that one of our most difficult problems in negotiating on the subject of pensions is that they will never give us one item of information that would enable us to intelligently understand what some of the pension improvements would cost. They just stonewalled us completely. They said, "It costs too much." When we said: "How much? Give us the total information, they clammed up.

In the history of this company there has been no information on anything because they do not have to under the law. That is one of our biggest problems.

If you are in negotiations, and some of you may have had that experience, if you are asking for a benefit, and it is going to cost 10, 15, or 20 cents an hour and you have a reasonable knowledge that that is an accurate figure, you can make some intelligent decisions, go to your membership and say, "This is what the whole package is all about." But if you are going to sit around at a table in the dark and cannot intelligently answer any questions in front of your membership, I do not know how you really do a job in negotiating a pension. That is one of our biggest hurdles, and your committee can do a substantial job in that area.

Mr. Martel: I wonder if you noticed that the Royal Ontario Museum has now set a beautiful standard for severance.

Mr. Chairman: Yes, we did that earlier this morning.

Mr. Martel: Twelve and 18 months--

Mr. Mancini: They are government-funded and they raise money from the general public. Do you think that kind of publicity is going to be good for their campaign that is presently going on?

Mr. Makarchuk: Why the double standard? Why a top person and not the workers? They are giving a month and a half's pay for a year of service. That is what that amounts to in that severance deal.

Mr. Mancini: I am not saying that the pitiful pensions that some of these people are getting is correct. At the same time, I am not going to agree with what ROM did as being correct also.

Mr. Mackenzie: Houdaille did it for their management people but not their workers.

Mr. Mancini: They think because they get government funds that there is no end as far as the amount of money that they can throw out the window. That is one of the problems we have.

Mr. Mackenzie: Except for improving the central pension plans, we have not even been asking for government funds. What we have been asking for is portability, shorter vesting periods and the things that would help even with the existing plans we have.

Mr. Mancini: Absolutely. I think we are in agreement on that, Mr. Mackenzie, but I just cannot agree with what the ROM people have done.

Mr. Martel: That is a shifted position.

Mr. Mancini: No, it is not.

Mr. Martel: You opposed portability just a month ago.

Mr. Mancini: No, come on now.

Mr. Martel: Yes, you did. How did you vote?

Mr. Mancini: (Inaudible)

Mr. Martel: You are not for portability and you voted against it.

Mr. Mancini: That is so much crap.

Mr. Chairman: Thank you again, gentlemen. As there is no other business before the committee, we are adjourned until Tuesday at 10 a.m.

The committee adjourned at 3:13 p.m.

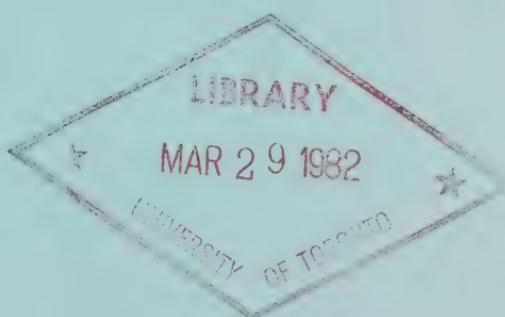
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SELECT COMMITTEE ON PLANT SHUTDOWNS
AND EMPLOYEE ADJUSTMENT

GENERAL MOTORS OF CANADA CASE STUDY
UNITED STEELWORKERS OF AMERICA

TUESDAY, JANUARY 27, 1981



SELECT COMMITTEE ON PLANT SHUTDOWNS AND EMPLOYEE
ADJUSTMENT

CHAIRMAN: McCaffrey, B. (Armourdale PC)
VICE-CHAIRMAN: O'Neil, H. (Quinte L)
Cooke, D. (Windsor-Riverside NDP)
Cureatz, S. (Durham East PC)
Mackenzie, R. (Hamilton East NDP)
Mancini, R. (Essex South L)
Ramsay, R.H. (Sault Ste. Marie PC)
Taylor, G. (Simcoe Centre PC)
Turner, J. (Peterborough PC)
Van Horne, R. (London North L)
Williams, J. (Oriole PC)

Clerk: White, G.

Researchers:

Eichmanis, J.
Jennings, R.F.

Morning sitting:

Also taking part:
Braugh, M. (Oshawa NDP)

Witnesses:

From General Motors of Canada:
Andrew, R., Director of Personnel
Duffy, R., Secretary and Treasurer
Larmond, J., Director of Manufacturing Fabrication
Walter, R.C., Vice-President and General Manufacturing
Manager

Afternoon sitting:

Substitution:
Eakins, J. (Victoria-Haliburton L) for Mr. Van Horne

Witnesses:

From United Steelworkers of America:
Cooke, S., Director, District 6
Mackenzie, D., Member, District 6
Warrian, P., Member, District 6

LEGISLATURE OF ONTARIO

SELECT COMMITTEE ON PLANT SHUTDOWNS AND EMPLOYEE ADJUSTMENT

TUESDAY, JANUARY 27, 1981

The committee met at 10:14 a.m. in committee room no. 1.

GENERAL MOTORS OF CANADA CASE STUDY

Mr. Chairman: I will call the meeting to order. Ladies and gentlemen in the audience, we consider a working quorum to be when we have a representative from each of the three caucuses and we do. As you know, the full committee consists of 12 MPPs and the remainder of the people will be along here in due course. A point of order, Mr. Mancini?

Mr. Mancini: Thank you, Mr. Chairman. I would like to place a motion before the committee if it is possible. I believe the clerk has copies of my motion, if he would distribute the motion now. Would it be appropriate at this time to read the motion, Mr. Chairman?

Mr. Chairman: I think, Mr. Mancini, it would be. And then I wonder if it would be equally appropriate, after there has been discussion, if we might just, in deference to our colleagues from all parties--well, from your party and the Conservative Party--that we might wait until more of them are in attendance. But I would think it is proper to put it and discuss it if there is discussion on it.

Mr. Mancini: I thought we could act on it this morning, Mr. Chairman, but anyway the motion reads that Mr. Mancini moves that the committee request that Mr. Roy Bennett, president of Ford of Canada, appear before the committee as soon as possible to answer questions about Ford's future investment in Ontario, and more specifically, about the future of Ford's V-6 engine plant in Windsor, arising from the Treasury staff report, The 1985 Shape of the Ontario Motor Vehicle Industry. Mr. Chairman, in light of the information that was contained in the report, I think it behooves this committee to ask Mr. Bennett to appear before us so that we can question him.

I have noticed in the media conflicting statements from Mr. Bennett--I should say statements which would conflict with what is in the report. I believe earlier statements had been made by Mr. Bennett as to the viability of that plant. I think the matter is so urgent and so important that we need him here before us. I would ask the committee to endorse the motion so that we could get on with the questioning of Mr. Bennett when he gets here.

Mr. Mackenzie: Mr. Chairman, I have no objection to the motion, but I think Mr. Mancini has entirely missed the point of the report. The V-6 engine plant, which is what this is obviously designed to zero in on, is a very small part of that document in that report. What is important at this point is not necessarily the president of Ford Motor Company of Canada, or any of the other officials of these particular automotive firms; it is the policy

makers within the ministry who have completely and totally bombed out in terms of any planning or any understanding or any actions on the kind of situation we are in. If anybody should be before the committee, they are the people who should be before the committee. I think it is a tragedy when you get into the doggone report and read it. I am not really sure what we get out of zeroing in on this one particular plant, when it is our entire policy that is the issue in this particular case.

Mr. Mancini: I could make a rebuttal, Mr. Chairman, but we would only get into a lengthy conversation, and I am not too enthused about doing that this morning. We had the McDonnell Douglas people come in to see us, and that was a specific problem at a specific location. I could go on and mention other things, Mr. Chairman, but I won't. I would just ask that the committee endorse the motion.

Mr. Chairman: Thanks, Mr. Mancini. Just before the committee began, Mr. Cocke indicated he too had a motion he was going to make. I don't know, David, if you want to put it formally now, but maybe just in the interests of helping everybody think collectively about the issues before us, the specific motions and recommendations before us, do you want at least, if not formally, just to mention what you were planning to do?

Mr. Cooke: Mr. Chairman, I was going to move this morning that we set one day of our hearings aside and have Mr. Grossman and Mr. Miller here at the same time to discuss the implications of that report and what government policy they are planning.

I understand Mr. Grossman has either completed, or is in the process of completing, policies to counteract the predictions that are in that particular report. I would like to have both of them here at the same time to have a full discussion. I think that is part of the commitment this committee made when we asked for the report, that Mr. Miller would have the opportunity to come back and discuss it with us.

Mr. Chairman: Okay, I just wanted everybody to be aware of that suggestion as well. I cannot contribute a new thought to it. There are two suggestions and perhaps the committee will decide on both matters. Would it be reasonable, though, for us in that we don't have a very full attendance yet, and this would be a matter at least of dealing with our timetables? Mr. Mancini?

Mr. Mancini: I don't believe Mr. Van Horne is going to be here, so we as the Liberal representatives have a full delegation. I think the New Democrats have a full delegation here, and there are three Progressive Conservative members that are here. So I think that is a fair sampling of our parties.

Mr. Chairman: I'm in your hands, if you want to put the motion. The motion has been made. Mr. Taylor, I wonder, in that we are going to be called to vote on the motion, if you might just glance at this. I don't think the motion needs to be repeated.

Mr. Mackenzie: Probably the second one is the most

important but my cynicism shows, Mr. Chairman. I don't think it makes a damned bit of difference because I don't think all the work that has gone into this committee or the other committees means a thing if this House is dissolved, and I suspect it will be within the week.

Mr. Mancini: We have to keep on working, Bob. You know, when you guys recommended we have McDonnell Douglas in, we went along with you.

Mr. Mackenzie: No argument. I am just saying I do not think the reports are wanted on either of these committees.

Mr. Mancini: Yes, I agree with you and that is possibly what might happen, but you know that you and I will be back, so we can continue our work after the election.

Interjection: I know Bob will be back.

Mr. Cooke: I hope and pray that you will not.

Mr. Chairman: I do not think there is any further discussion required on the motion. I would just ask members of the committee to bear in mind the suggestion made, which is going to be made formally by Mr. Cooke, that Mr. Miller and Mr. Grossman also be called, and I say that because--notwithstanding the chatter about an election--I do not know anything that anybody else does not know, probably a great deal less than Elie knows--

Mr. Martel: You just gave the store away.

Mr. Mackenzie: \$1.5 billion--

Interjections.

Mr. Chairman: We do not have a hell of a lot of time, is the problem.

Mr. Mancini: How does the NDP government in Saskatchewan do it just before an election. Do they give out goodies, or--

Interjections.

Mr. Chairman: Mr. Mancini's motion has been made. All those in favour of the motion?

Motion agreed to.

Mr. Chairman: David, do you want to do your motion in the formal way, now?

Mr. Cooke: I move that we invite--request--the presence of Mr. Grossman and Mr. Miller for a full day of committee hearings before we begin writing our report.

Mr. O'Neil: I would like to propose an amendment and that is, since time is of the essence, why do we not name a day this week so we can get them in here as soon as possible?

Mr. Martel: Which days would you like to name?

Mr. O'Neil: Well, have we anything scheduled for tomorrow afternoon?

Mr. Martel: We sure do.

Mr. Mackenzie: I think in terms of formalities, we are going to have to ask for an extra day, Mr. O'Neil, although I do not think it really means anything.

Mr. O'Neil: You are not sure, are you?

Mr. Mancini: You are grouchy this morning, Bob. You are almost as bad as me.

Interjections.

Mr. Mackenzie: I have been trying for the last couple of years of my life not to be a total cynic, and I am beginning to become one with this government.

Mr. Cooke: I would be willing to go with Wednesday afternoon on the provision that the committee is willing to sit an evening also so we can have a full day. I want to make sure we have more than just one afternoon.

Mr. Chairman: Do you want to leave it without a specific date, there?

Mr. Cooke: I thought it would be easier for you as the chairman to arrange to have a whole day.

Mr. Chairman: As far as I know, they are both on in the morning but we did have a possible gap in the afternoon. We could use that in half a dozen different ways, at least, to go over the report again.

Mr. Cooke: Mr. Chairman, just keeping in mind that there is a great possibility we may not be sitting past this week and that this discussion would be rather important, could we aim at having it for Wednesday afternoon and Wednesday evening?

Mr. Chairman: Do you want to make that part of the motion, then?

Mr. Cooke: With the goal of having it Wednesday afternoon and Wednesday evening.

Mr. Chairman: Does everybody understand that? Mr. Cooke's recommendation made in the form of a motion is that we get Mr. Grossman and Mr. Miller before the committee to talk about that report, that auto study, and that we would attempt--

Mr. Turner: Are you talking about this Wednesday?

Mr. Mancini: Tomorrow afternoon and Wednesday evening.

Interjection: No, I cannot be here.

Mr. Turner: No, I cannot be here either.

Mr. Mancini: You have other commitments?

Mr. Cooke: I want more than two hours with those turkeys.

Mr. Turner: I don't think, with all respect--

Mr. Chairman: The election must be getting close.

All those in favour of Mr. Cooke's motion? Opposed?

Motion agreed to.

So we are going to invite two more--three more people.

If the committee would take a look at the summary sheet provided by our consultant on the auto study and some suggested questions for General Motors, you will find it useful, and if I may invite the representatives from General Motors to the front table, please, starting with Mr. Richard Walter. If, gentlemen, you would be kind enough to identify yourselves into the microphone, just for the record before you begin and, if I might ask first, Mr. Walter, who will you be speaking to the brief.

Mr. Walter: Pardon?

Mr. Chairman: Will you be reading the brief, sir?

Mr. Walter: I will be reading the brief, yes.

Mr. Chairman: Maybe then, as it is being distributed, if you would be kind enough to introduce your colleagues.

Mr. Walter: Okay. I am Dick Walter. I am vice-president and general manufacturing manager for GM of Canada. John Larmond is director of manufacturing for our fabrication operations. Ron Duffy is our secretary and treasurer and Ron Andrew is our director of personnel.

Mr. Chairman: Thank you. Welcome to the committee. We appreciate your time.

You know pretty much what our timetable is about. We alluded to it briefly this morning. You can sense very quickly, I think, that there is a feeling that an election may be called. As far as this committee's work is concerned--and any committee of the assembly--when a writ for an election is called we are finished. I think what is implicit in some of the suggestions here today is the question: Will we even get a chance to report? We do not know. We are just going to carry on day by day.

Mr. O'Neil: We should mention though that we will let them finish even if the writ is issued in the next hour.

Mr. Walter: Our submittal is not that lengthy. I think we can get finished.

Mr. Chairman, we at General Motors would like to thank you for providing us with the opportunity to address this committee and to participate in the dialogue regarding plant closures.

Of course, we have been monitoring the discussions of this very serious issue as it has unfolded in the media, the House proceedings and the interim report of this committee. In addition, with one of our major plant facilities located in the city of Oshawa we have been in a position to witness first-hand plant closures in other industries and to assist where possible in the re-employment of people affected by such closures.

Recognizing that the prime objective in these discussions is to devise methods by which the resulting social and economic upheavals created by major plant closures may be alleviated, we would none the less suggest that care must be taken to devise practical, equitable and affordable methods of avoiding such hardships. Chapter five of this committee's interim report clearly indicates that you share our concerns in this area as outlined in the section about the "broader issues" you wish to examine.

We would like to focus our comments today on certain key areas of Bill 191, the proposed amendments to that bill, and Bill 214.

The proposed amendments to Bill 191 dealing with notices of layoff and terminations are of particular concern to us. It would appear that these amendments were partially based on the premise that industry has the ability to forecast production runs in isolation from rapid fluctuations in the marketplace. I would assure you that we do not have that ability.

In an industry such as ours, there must be the freedom to adjust our production and, therefore, our work force to continual and often dramatic variations in consumer demand. In addition to consumer demand, once cannot disregard the fact that Ontario, along with most of Canada, is experiencing the adverse effects of a recession as well as some structural economic changes. General Motors is only too aware of these problems, not only as they impact on our company directly but also as they impact on our more than 500 Ontario suppliers.

Perhaps some examples might be useful to illustrate this problem. During the first quarter of the calendar year 1980 at our Oshawa location, our work force was adjusted on an almost weekly basis. This is representative of the fluctuations encountered in the second and third quarters of 1980 as well. For the pay period ending January 6, 1980, 13,564 employees were working at our Oshawa locations, 39 were on indefinite layoff and 235 were on temporary layoff. The following week, 40 were on indefinite layoff and 183 on temporary layoff. For the weeks of January 27 and February 3, over 3,300 were on temporary layoff and 66 on indefinite layoff.

These numbers indicate the continual adjustments necessary

in our work force to account for plant modifications as well as periods when production was suspended to adjust inventories to market demand. While on such layoffs, eligible employees may receive up to 95 per cent of their after-tax pay, less \$12.50 work-related expenses, through receipt of unemployment insurance and company-provided supplementary unemployment benefits.

Where required by current legislation, notice was provided to those employees placed on permanent layoff. Even this has been difficult to accomplish because it is hard to pinpoint the exact timing of layoff of employees because of transfers, training time on new assignments and other requirements contained in our collective agreements.

10:30 a.m.

We have found it necessary to continually renew our notice to employees who are scheduled to be laid off because the layoff timing is indeterminate. This has caused uncertainty and has adversely affected the morale and productivity of affected employees and others in the work force.

Had the proposed amendments to Bill 191 been accepted, however, we would have been forced to provide pay in lieu for all employees placed on what is now considered temporary layoff. The other alternative would be to continually place a larger percentage of our work force on repeatedly renewed notice of layoff. I would emphasize that we cannot forecast these types of adjustments weeks ahead of time.

We suggest that the proposed amendments to Bill 191 would be counterproductive in that they would place unnecessary costs on industry and would result in disruptions in the work place.

Another typical example of potential difficulties with current legislation exists at our transmission facility in Windsor, Ontario. As you are aware, we are in the process of expanding the facility and will approximately double our work force and production capabilities at the completion of this expansion.

In order to complete this expansion, it was necessary to lay off some 500 employees for what we anticipated to be a period of less than 13 weeks. Due to unforeseen difficulties experienced by outside contractors and suppliers, however, the layoff may exceed 13 weeks. Because we are unable to recall these employees, we find ourselves in a position where we may be forced to provide pay in lieu of notice to certain employees when we fully intend to recall these employees and hire over 2,500 additional employees.

In yet another instance, at our Oshawa location, in order to retool our plant to produce downsized front wheel drive units, we will lay off employees for an extended period this summer. While we originally anticipated a layoff of over 13 weeks, current estimates indicate that the required changes can be accomplished in a somewhat shorter period. I wish to emphasize here again, however, that at this time we are not able to determine exactly how long the layoffs will be.

The point of both the Oshawa and the Windsor transmission examples is that even present legislation has the potential to penalize employers by requiring them to provide pay in lieu even though the temporary layoff is related to model and production changes which eventually lead to increased employment. New legislation with even greater restrictions may discourage future expansion in Ontario even more.

Had the proposed amendments to Bill 191 been in force, we would have been in the position of having to provide up to 26 weeks' notice of permanent layoff to employees who would be returning to work for General Motors. If the purpose of advance notice is to influence people to search for an alternative job, then it is obviously counterproductive in situations as previously highlighted. Advance notice would only be useful where a total industry ceases to do business in Ontario or where the employment of an individual is terminated because of an individual plant closure.

The current Ontario termination notice provisions provide protection for Ontario workers comparable to or better than those provided in other jurisdictions. To double these provisions would be of questionable benefit. To extend them to layoffs fails to recognize the length of some temporary layoffs in Ontario. In addition, it fails to recognize the definitive difference between a layoff which is temporary in nature and a termination, and would result in forcing companies to give notice of layoff to employees who may in fact not be laid off.

We feel that the requirements for layoff notices existing on the statute books today strike an adequate balance between the notice that should be given to a worker who is permanently laid off and the flexibility required by a modern manufacturing industry to react to rapidly changing conditions in the marketplace by reducing its work force through temporary layoffs.

If the Employment Standards Act is the vehicle by which the problem of plant closures is to be addressed, then we would suggest that it be dealt with in a separate section of the act completely divorced from the current legislation dealing with layoffs and terminations.

Ontario industries compete not only in the national markets but also in international markets. Care must be taken to ensure that our legislation does not become cost restrictive for firms dealing in foreign markets. Let there be no doubt that when potential investors consider making capital investments in Ontario they consider all factors which may affect their investment. In the automotive industry, where temporary layoffs are an integral part of the business, legislated notice and severance pay provisions would certainly be considered.

Bill 191 in its original form allowed the minister to compel an employer to participate in a manpower adjustment committee. The statistics contained in this committee's interim report indicate that manpower adjustment committees last an average of almost six months; 63 per cent of the workers seek assistance; and 60 per cent of those workers who seek assistance are in fact placed. We

suggest that with these kinds of results manpower adjustment committees are extremely worth while and we would agree that they should be utilized wherever required.

The proposal to continue benefit payments during notice periods and when payment is made in lieu of notice may more properly be the subject of negotiated agreements between the employer and employee. This proposal is consistent with the stated intent of the current legislation, and we believe that the amendments ensure equitable treatment in layoff situations.

Before moving from the proposed amendments to the Employment Standards Act, we would like to offer some observations on the issue of severance pay.

For a number of years, General Motors has had a supplemental unemployment benefit plan as well as a separation payment plan. These plans came about as a result of negotiations between the company and the unions and, as a result, the costs are considered in the negotiation process. We do not consider our SUB plan to be a severance pay plan in that the employer-employee relationship is continued while employees are drawing benefits while on layoff.

The separation payment plan, on the other hand, could be considered a severance payment, in that an employee is usually eligible for benefits at the end of 12 months of layoff and receipt of payment does sever the employer-employee relationship. In addition, any payments provided under the SUB plan would be deducted from any separation payment.

We would suggest that any legislated severance pay plan must recognize some of the following concepts:

1. The employer-employee relationship must be severed in order to qualify for severance pay.
2. Minimum entrance requirements and maximum ceilings should be established; for example, one year's service to qualify and a 30-year maximum. An employee eligible for retirement would not be eligible for severance pay.
3. Severance pay should be reduced by any pay in lieu of notice, supplemental unemployment benefits or other payments receivable by the employee from the employer.

The amendments to the Pension Benefits Act as enacted by Bill 214 would appear to have addressed the immediate concerns of the pension plan windup in situations of complete or partial plan closures. Other pension issues such as portability and vesting are being studied by the Ontario royal commission on pensions. It is obvious from the lengthy deliberations of this commission that these issues are extremely far-ranging and complex. Since the commission's findings are expected relatively soon, we would strongly urge that this committee recommend that no further pension legislation be enacted until such time as the commission's report is issued and thoroughly analysed.

In conclusion, we would suggest that:

1. The layoff notices existing on the statute books today strike an adequate balance between notice for a worker who is permanently laid off and the flexibility required by modern manufacturing industry to react to rapidly changing business conditions by reducing its work force through temporary layoffs.

2. Plant closure legislation should be introduced as a separate section of the Employment Standards Act.

3. Severance pay should be considered only in cases where the employer-employee relationship is severed.

Again, we thank you for this opportunity to voice our concerns and we would be pleased to answer any questions you may have.

Mr. Chairman: Thank you, Mr. Walter. Do any of your colleagues have any comments at this stage of the game? No? We turn to the committee then. Are there members of the committee who have questions or comments on the brief?

Mr. Cooke: I wouldn't mind getting into some questions I have on the auto industry itself. One of the mandates of this committee is to look at what is happening in the economy and one of the best methods of employment adjustment is finding someone a job.

I read a speech that I think you gave in Windsor, where you were talking about your lack of support for duty remission and your support for continuing with the auto pact, and where you indicated that General Motors has done a very good job under the auto pact. In that speech, you indicated that we should be pleased that General Motors has an 80 per cent Canadian value added. Why should we be satisfied with 80 per cent Canadian value added?

10:40 a.m.

Mr. Walter: I think 80 per cent value added represents a one-to-one relationship; in other words, at 80 per cent Canadian value added we are about in balance in what we sell in Canada versus what we ship back to the United States--the components and so on that we ship back to the States versus the components that we bring in.

Mr. Cooke: If that is what 80 per cent does, what would 100 per cent Canadian value added do? I understand Mr. Grossman now supports that. Certainly I have supported it.

Interjection.

Mr. Cooke: He came around after.

Mr. Mackenzie: He is reacting to an election only, and you know it.

Mr. Walter: That is a difficult question to answer, of course, and maybe I am not the proper person. Ron, do you have a better handle on that than I have?

Mr. Duffy: I think that with the 80 per cent level in 1978, GM of Canada was basically in trade balance with the world. If we went beyond that we would obviously have a trade balance in favour of Canada and I do not know whether that would be acceptable.

Mr. Cooke: I thought the 100 per cent Canadian value added provided for a neutral trade balance; in other words, you would have a Canadian value added equal to your sales in Canada.

Mr. Walter: We can get you an explanation of that. I am not a financial guy and I do not really understand all of it, but I know that at the 80 per cent level we are considered to be in balance, and we were in 1978. We had it. Our world trade was in balance.

I understand now that we have the CKD operation for General Motors. All of the vehicles that go in a knocked-down condition to Venezuela, Zaire and various other countries, Columbia, and others coming on such as Egypt and Taiwan--we have the responsibility of shipping all of those to these other countries. The parts that come in, some of them from the States and a great amount of them from Canadian suppliers and from our own manufacturing operations, are assembled into units of 24 or 96 vehicles in knocked-down condition and shipped out.

They come into the country and they show up in the parts end balance, but they go out of the country to somewhere else and they do not count on the trade ratio and they do not count in the parts imbalance situation. When we look at it, we have to look at the worldwide aspect. That would not be true of someone who did not have that kind of business, but in our case it is true.

Mr. Cooke: What would your position be on an annual report from the federal government on the performance of each of the major auto makers under the auto pact?

Mr. Walter: We have nothing to hide. We are proud of our record. We have met every requirement and have far exceeded it many times. Our ratios have been as high as 140 with only a requirement of 101. We are extremely proud of our record.

Mr. Cooke: Do you have any explanation of why the federal government has resisted this over the years? You have been critical, of course, of the other auto companies and their performance under the auto pact, at least on one occasion.

Mr. Walter: I do not think we have knocked them. I think we have said that we think we have been very responsible.

Mr. Cooke: But you have indicated that the other auto companies have not performed nearly as well under the auto pact as General Motors has.

Mr. Walter: I think Mr. Drea, Mr. Grossman and some other people have said those things, not General Motors.

Mr. Cooke: The capital spending of General Motors in

North America: We know of the major announcements you have made about Windsor, the St. Catharines engine plant and retooling for, I believe, the J-car in Oshawa. What is the total amount of capital spending for North America that has been announced by General Motors at this point, and what percentage of the North American spending is there--what is it--\$3.2 billion that has been announced for Canada?

Mr. Walter: Unfortunately, the figures you see in the media are not in the same time frame. That is one of the problems. The \$40 billion that everybody looks at as a tremendous pile of money--and it is--is worldwide and it includes all of the expansions going on in Spain, in Austria and so on to meet that growing world market. It includes expansions in Mexico, Australia and other places. The North American spending, which includes Canada, is in the order of \$30 million to \$32 million.

In the time frame of a three-year period, where they are talking \$5 billion, we have announced in excess of \$2.25 billion in Canada, and we are not through yet. We are still bidding on work and we still have plans that are not in a state such that they can be discussed in the media. We are still into the latter part of that \$32 million and we expect that there will be additional investments announced.

I know what you are going to lead up to: Is it a fair share for Canada? What I can tell you is that we do not go by fair shares or allocations. We earn everything that we get by being competitive, being competitive in investments and in the piece cost of the parts we produce. We not only compete against North America, but we're competing worldwide now with sources in other countries.

What we have earned represents, in terms of what you are talking about as a fair share, a little more than what our so-called fair share would be if you allocated it on the basis of the Canadian market versus the North American market or the Canadian market versus the world market.

Mr. Cooke: Do you know what percentage of the North American sales General Motors Canada sales represent?

Mr. Walter: It is roughly around 10 per cent. It depends on the economies of the two countries.

Mr. Cooke: Right. Over the years since the auto pact was signed, the overall investment from at least the Big Three has run considerably less than the 10 per cent share of sales we normally have represented.

Mr. Walter: There have been some ups and downs. Back in the early days of the auto pact it far exceeded that.

Mr. Cooke: Just for a couple of years.

Mr. Walter: When you make an investment, you put it in big pieces. It is like our new transmission plant in Windsor. It is not a small operation.

Mr. Cooke: No, I realize that.

Mr. Walter: It approaches a \$1-billion investment, in one plant.

Mr. Cooke: I realize that.

Mr. Walter: We do not do that every week or every year.

Mr. Cooke: Believe me, we in Windsor are very happy that investment is coming, although I, at least, believe you are not doing us any great favour. It is what we in Canada deserve under the auto pact. If you want to get the advantages of the auto pact, then you also have to invest in Canada.

What I am saying is that over the first 11 or 12 years of the auto pact, as a percentage of North American investment, the Big Three worked out to about six per cent. I am not looking at one year. There have been one or two years where we have got a considerable amount of investment as a percentage of North American investment, but those have only been one or two years. Overall, the investment has been far short of what we should be able to expect in comparison with our percentage of sales.

I am particularly interested, first of all, in your retooling of the Oshawa plant. I do not know if there have been any public statements by General Motors, but indications are that when that plant is retooled, because of automation there will be considerably fewer jobs there than there were before the retooling.

Mr. Walter: Might I ask where that information came from?

Mr. Cooke: It has come from all sorts of sources.

Mr. Walter: They are all erroneous.

Mr. Cooke: That is why I am asking you right now if you can indicate to us what the employment is now and what your employment projections are for after the tooling.

Mr. Walter: We project that our employment will probably increase by 300 or 400 jobs in total in Oshawa contracts.

Mr. Cooke: What kinds of automation are going into that plant?

Mr. Walter: In the body shops we are utilizing automated equipment, which I think every new body shop in the world uses, including the ones already in place in Japan. We will use robots, if you want to call them that. It is a form of automation, except that it is programmable. Instead of its being hired automation, you can reprogram it when there is a model change or something.

It is going to replace jobs which are now considered entering jobs, jobs people do not like and try to get off as soon as they can because they are tedious, hard jobs. The other reason is to get uniformity in build so that we have a quality that is the best in the world.

As far as the robots are concerned, they will probably replace 150 jobs, I guess. To support them is going to require much higher skills on the part of our electrical people and pneumatic people. We have retraining programs for all of this that will require additional increases in our skill courses, which has moved us to increase our apprenticeship program to where we have upwards of 400 apprentices in Oshawa right now.

In reality, when you talk about automation, it is to become competitive and it does help you there, but it does not necessarily mean a great reduction in the work force.

10:50 a.m.

The other thing is when we go to the J-car, which is a smaller car, we are going to increase the size of the plant to about 65 an hour instead of 55 an hour, which it is at present. Again, this offsets some of the content.

Mr. Mackenzie: Mr. Chairman, may I ask a supplementary to that question? When you say the robots or the new automation procedures will probably mean 150 jobs, you are still telling us that the gain in the work force is 300 to 400. That is an overall gain. Those are new jobs over and above what is there now without layoffs.

Mr. Walter: For example, we have automated our press plant. It is not the biggest press plant in the world but it is a sizeable operation. With some additional equipment and a sizeable investment in automation, we are going to increase our tonnage of steel process by two and a half times and we are going to increase our employment while we are doing it. Automation is not a bad thing. It is a good thing.

Mr. Mackenzie: One of the disturbing things in this report is a comment--and I have not tagged it as yet but in going through it I have noticed it a couple of times--that there is a tendency, an increasing tendency at this time, to automate the more skilled or more expensive jobs more quickly than was the process in the past. Does that have any implications for your comments that you are actually going to increase your skilled workers?

Mr. Walter: We will definitely increase our skilled workers. John can address that. He is right in the heart of it.

Mr. Larmond: We will very definitely increase our number of skilled workers. As Dick Walter just told you, we have 400 apprentices in Oshawa, and in General Motors Canada-wide we have close to 700 apprentices. We have established a training centre of over 30,000 square feet at the Windsor transmission plant to retrain and upgrade our people, and I am sure you are familiar with that. It does involve a definite upgrading of skills and pay levels and work interest.

Mr. Mackenzie: That is 400 apprentices against how many--

Mr. Larmond: Against the number of tradesmen we have.

Mr. Mackenzie: How many tradesmen do you have?

Mr. Larmond: We have about 3,000 in Canada. I said we have over 600 apprentices.

Mr. Walter: Besides the apprentices, we are hiring journeymen toolers. It is not just a total apprentice thing.

Mr. Cooke: Most of the auto companies these days are expanding a lot of their operations into Third World countries, getting engines, for example, from sources in Brazil and from Mexico. Of course, then they bring them into the United States, put them into their cars and trucks and then the cars and trucks are imported into Canada under the auto pact. What are your opinions on the long-term implications on the auto pact of that kind of process?

Mr. Walter: I do not think it will have very much impact from what I see of our plans. We have things in place and investments and we are going to increase our trade balance, improve our trade balance, to an even better level than now. An example of that is the Windsor transmission plant in which we are going to go from 2,000 automatic transmissions a day to 4,000, and that other 2,000 essentially will be shipped back to the US to be built into the cars.

Mr. Cooke: But we are essentially getting into a worldwide auto pact.

Mr. Walter: I think we are in a worldwide market. We have to become worldwide manufacturers and we have to compete worldwide, and we are perfectly willing to do that. We think we can. I bid on jobs all the time against Mexico and other locations and we are successful in a good many of them.

You have to do things differently than they do. You have to have a bigger investment, more automation. You have to reduce your labour rates. You cannot have a \$15-an-hour guy and have him compete against a Mexican earning \$1.50. I mean, that is not in the books. There are some things that are going to flow out, such as happened in the television business and so on where it is very labour intensive, and there really is no way to overcome that. Some of that work is going to flow into these other countries.

Mr. Cooke: Why is some of the work flowing in there? Does it have something to do with the kinds of rules those countries have in terms of value added; for example, in Mexico or Argentina?

Mr. Walter: Not 100 per cent, no. It is economics, basically. I will not say there is not some impact there. They do require some local content and to participate in that market you have to do that, just the same as the trade pact requires certain obligations to participate in the Canadian market.

Mr. Cooke: The auto study that was released last week seems to indicate that by 1985 it is likely that in Ontario or in Canada we will be producing no engines, with the possible

exception of your St. Catharines plant. I understand you bid on the V6 diesel but were unsuccessful and got the V6.

Mr. Walter: That is not right. You have a bundle of bad information. I do not know where you get it.

Mr. Cooke: That is why I am asking you. That is why I am bringing it up here.

Mr. Walter: We were way ahead of the game in bidding on the V6 for 1982 production before they ever had a V6 diesel or ever thought they were going to have it, and we had a V8 line. We are in the process of changing that over. I bid on that V6 diesel to see how competitive we would be. We were not because Oldsmobile already had a line that could run V6s and V8s and they had a lot of common equipment that I had to duplicate, so I was not competitive from that standpoint.

We have worked out there is a need for V8 engines and that need is greater than the capacity at St. Catharines. We do have a viable engine operation down there. It is an excellent engine operation. The quality is very good and our costs are good and we expect to keep it flowing.

Mr. Cooke: Let me read this to you. You probably have not seen this auto study by the Treasury department. You can probably get a copy of it from the clerk.

The first paragraph on page 22 says the following about GM: "While GM faces severe cash shortfalls for the short-term, it alone appears capable of maintaining its product breadth and expanding its sales in Canada over the mid-term. Hence, the firm's required commitments to Ontario are perceived to be rising with minimal risks on a plant basis." Then, the important part: "The dangers presented by GM in Canada are related more to GM's global strategy which appears to be isolating Canada from high-growth, longer-term products in fuel-efficiency technology." Do you have a reaction to that?

Mr. Walter: I do not understand it.

Mr. Cooke: Basically, what they are saying is that--

Mr. Walter: I do not believe it, for one thing.

Mr. Cooke: Basically, what this report is saying is that the auto pact is dead because of the way the Canadian value added is done in this country; that the shift to small cars makes it easier for the companies to continue producing large cars in Canada because the Canadian value added is higher; and that when we do get to small cars in this province we will be even more biased towards assembly, because the assembly as a percentage of the total cost of the car is going to be higher because the parts are less expensive.

Mr. Walter: They are more expensive on a front wheel drive small car.

Mr. Cooke: The parts. As a percentage of the overall car?

Mr. Walter: Sure. Much more expensive.

Mr. Cooke: I would have to find the page with the statistics.

Mr. Walter: I don't care what that report says. I know what it is, damn it. I build them.

Mr. Cooke: This is a report produced by Treasury.

Mr. Walter: I don't care whose report it is.

Mr. Mackenzie: It is a report also that was submitted to analysts in the United States who, in effect, agreed with it. I think it does beg, then, some very serious questions. We had to fight to get this out in public, to find out what is going on.

Mr. Walter: I have not seen the report.

Mr. Mackenzie: I also think you should be concerned that these kinds of reports with the kind of implications that are in here exist, and that they are considered in terms of policy-making decisions by the ministry. If they are not correct, we certainly should know; if they are, then obviously there are some answers needed. It says a lot more than that, and I presume your people will be digging it up.

Mr. Cooke: On the next page, page 23, it says: "The net effect is that Canada is likely to be cut out of all the small engine development in the mid-term, not only by General Motors but by other OEMs"--that is, other auto makers--"as well. Four-cylinder capacity has virtually been committed worldwide up to 1985 and commitments for many engines (three- or two-cylinder, electric) are now being planned in preparation for even greater shifts to fuel-efficiency."

Mr. Walter: Now that is a true statement. Bear in mind, we have a big foundry in St Catharines. It is one of the best foundries in North America; it can compete with anybody. Those small engines are basically a kind of aluminum; they do not use much cast iron; they use hardly any nodular iron. They are a lousy business for Canada in an operation like we have. We get many more jobs and many more parts from suppliers and so on building the engines that we are going to build. That is why we went that way. We could have gone the four-cylinder route but that foundry would have gone down the drain--half of it.

Mr. Cooke: What is the future of the six-cylinder engine?

11 a.m.

Mr. Walter: We think it is excellent. It is going to have its place. It is going to diminish in use, that's true, because of the trend, but fortunately that trend started in time to stop the conversion of two six-cylinder lines over in the US,

at the Tonawanda plant. That leaves us sitting here with a good model and a market for the sales.

Mr. Mackenzie: Do you have a good handle on how much it is going to diminish because the report also implies that it will be a pretty steady decline.

Mr. Walter: There is no doubt about the conversion. You are going to see three-cylinder engines also. They are half of a V6.

Mr. Mackenzie: Even if it is a lousy engine, the fact that we are going to be out of it totally, if the implications of the report are accurate at all, raises serious questions about our ability, if we do not get caught.

Mr. Walter: I would be very worried if we were going to be caught that way, and I am not worried a bit because I think we have made the right decisions. We have a pretty good track record on decisions for Canada.

Mr. Mackenzie: I do not think that point is necessarily being argued. When we get into it--that is, our members, in conversations with some of our colleagues--we do not think the track record is good in national terms and we are not sure, no matter how good your track record is, how much that is going to influence where the province and the country end up. That is our concern.

Mr. Walter: Seven thousand jobs since 1976: That is not too bad a track record, is it?

Mr. Cooke: Let me read one other section of this report. Then I have a few other questions.

"In GM's case, commitments to Canada have been virtually limited to the \$1.5 billion Windsor transaxle plant; this represents about 60 per cent of GM Canada's announced 1979-1983 capital program and also signifies what must be interpreted to be a move by GM to minimize its dependence on Canadian parts producers, and hence maximize its opportunities for purchasing parts from more attractive markets in the LDCs"--that is, in other countries--"or from highly efficient and sophisticated Japan. Before the cash crisis, GM manufactured 15 different transmissions; over the mid-term, this has been reduced to two in an effort to conserve cash. GM Windsor has been mandated one of these transmissions, and hence its large production volume will go far to satisfying what are virtually static CVA"--that is, Canadian value added--"requirements in the auto pact."

Mr. Walter: Only about half of that is true; less than half of it. The money is way off, for one thing. There are a lot more than two transmissions. There are probably eight or 10 transmissions when you consider all the manuals and the automatics.

Mr. Cooke: Are there any plans for decreasing that?

Mr. Walter: No.

Mr. Cooke: I would appreciate it if you would get a copy of this report from the clerk, or if the clerk would provide you with a copy, and look through it.

Mr. Walter: You are trying to ruin my weekend.

Mr. Cooke: No, I read it in a couple of hours. I am sure you will. I think it is important to get the industry's reaction to the report and to find out if there are significant portions of it that are wrong. There are a lot of statistics in here from Statistics Canada that I believe cannot be wrong.

Mr. Walter: It talks about cutting out suppliers. That is absolutely 180 degrees out of phase. We have launched and have in place a program to increase Canadian suppliers. You talk to some of your cohort. Some of them were at the suppliers' seminar we held. We had very glowing reports from them about the job that we are doing in trying to increase Canadian involvement in the automotive industry, in General Motors, and urging them to make investments and to get aggressive and sell.

It is all geared towards that. We are not bringing in things. That transmission plant took axle business out of St. Catharines and combined it with a transmission to become a transaxle. Now we are replacing that business at St. Catharines with the output drives for the other transaxle. We have won that competitively: 10,000 a day for a new 440 front wheel drive transmission.

Mr. Cooke: In terms of research and development, I understand you are going to be doing something in Canada. Maybe you could expand on that.

Mr. Walter: We are working on it. It is difficult. It really is. We recognize the seriousness of it. We recognize the desire of the government for us to expand our R and D and we are looking for places to do it.

Mr. Cooke: Are there any concrete plans at this point?

Mr. Walter: There is the one we announced in Windsor, which is a centre for research on our software systems. That is going to be done worldwide for the corporation. We will be doing work that will be exported to Germany and Australia and all these other places. That is strictly R and D; it is not maintenance or anything else. It takes highly skilled people to do that.

We have an experimental unit for R and D work on a reinforced rim operation. This is a reaction-injection moulding of plastics. This is what we see as the coming thing in cars. As you try to get weight off, you have to use reinforced plastics to give you strength so you can make fenders and other parts that have some structure to them. We are going to be doing that type of work.

We have a grant with the University of Toronto which is going to do basic research on fibres for us--basically, graphite fibres--because we see this as having good potential. This is the only place in the corporation this is being done. We are putting

that into Canada and GM of Canada has been assigned the responsibility to handle it. Maybe it will take five years, I don't know, but eventually you are going to see that in Canada.

Mr. Cooke: You would not disagree that in the past, and certainly even up to the present, the record of the auto companies has not been particularly good in terms of research and development in this province, this country.

Mr. Walter: You have the statistics. You can read them just the way I can. No, they are not good, not up to the standard the government has set. I think it is trying to get up to one and a half per cent.

Mr. Cooke: This report indicates that in the auto parts industry in Japan companies are spending between four per cent and five per cent on R and D; whereas, in North America the auto parts companies are spending, I think they said, two to three per cent on R and D and, because many of the companies are multinational in nature, and not just in auto parts, a lot of that R and D is not in auto. Maybe you disagree, but I assume that is one of the reasons the Japanese have jumped out in front, because over the years they have concentrated so much on R and D.

Mr. Walter: I think they have done a much better job than the auto industry in the US and Canada has done in applying new technology. They put it in place much faster than we have. I think we recognize that as a serious problem and we are doing something about it.

Mr. Cooke: What does it take to get R and D contracts or mandates for Ontario from the parent corporation? You have the one that you mentioned.

Mr. Walter: We have laid this out before people and it is an objective at our General Motors research centre. Our central engineering staff all have programs to try to increase the R and D and basic research in Canada. We are looking at our college grants quadrupling over a period of three years.

Mr. Cooke: Do you have any statistics that you could throw out to us to show what the record of General Motors has been over the last few years in R and D expenditures in Canada?

Mr. Duffy: No, I do not. In the area of research grants to universities, we have placed two research grants with the University of Alberta. The one which just referred to with the University of Toronto is the third one at the University of Waterloo, and there is another two at the University of

just about ready to be announced, but it is not quite ready yet.

There was a point before the 10 per cent investment tax credit that we did not really define our R and D. R and D is two things, research and development, and we have set up a mechanism to recover the cost of our R and D. What we are finding out is the fact that we are spending a lot more than we ever dreamed we were,

because we do have an incentive because of the federal tax credit. I do not have those figures with me.

Mr. Cooke: Turning to apprenticeship for a moment, does your corporation still have the policy of not participating in any government-run programs?

Mr. Walter: We have not opted to do that to date. We have been self-supporting.

Mr. Andrew: We do participate in some government-run programs; in fact, there is a "do it" program which, I think, is under the auspices of some form of the government and in which we are very active. We actually supply the expertise to run the program for them. But if you are asking if we accept money for apprentices and so forth, no, we do not.

Mr. Cooke: I am thinking of the local committees. I have met with officials from the Ministry of Colleges and Universities in Windsor. The title of the committees has slipped my mind, but there are local committees that have been set up. It was impossible for the committee in Windsor to get any of the Big Three auto makers to participate in those committees.

Mr. Larmond: Are you talking about advisory committees to the community colleges?

Mr. Cooke: Yes.

11:10 a.m.

Mr. Larmond: We very actively participate with Durham college in Oshawa. We have people on practically every advisory committee. I think if you really check the records in Windsor, you will see that we have people on committees.

Mr. Cooke: Employment sponsored training is what I am thinking of. There is no one from any of the Big Three on the employment sponsored training committee, the community committee, that has been set up.

Mr. Larmond: We used the community colleges in Windsor and Oshawa for related training for apprentices on day-release and block-release--and Centennial in Scarborough.

Mr. Cooke: I realize that you use the community colleges, but as I understand it--and correct me if I am wrong, as you have been doing--when it comes to certification, when General Motors apprentices have gone through the training they are not then certified. Is that correct?

Mr. Larmond: What type of certification?

Mr. Cooke: Certification under the Ministry of Colleges and Universities. They get their training, but they are not certified under the Ministry of Colleges and Universities.

Mr. Larmond: That is true.

Mr. Cooke: Then again, my understanding is that in Windsor there was an effort to get representatives from the Big Three on the committees. Basically it is the parts plants and the small tool and die shops that are participating, and the Big Three opted out of that process.

Mr. Andrew: Basically, our apprenticeship programs are in conjunction with the unions, of course, and most of that is done through a mutual agreement in the contract. They participate very heavily and, I might add, very co-operatively in our apprenticeship programs. It is not something we continually go outside for. They opt for the program and they opt for participation in it and they qualify their employees. In general, in the master agreement, we have a qualification to take two for one, two inside the plant for one outside the plant.

Mr. Cooke: I recognize that certification at General Motors is not as important as certification at one of the tool and die shops, because the mobility probably is not as necessary.

Mr. Larmond: We have certification where required by law, like for pressure welders and gas sprayers, and our apprentices have not had any problems at all passing those tests.

Mr. Cooke: I am not saying they are not qualified; I am just indicating that at this point there is no formal certification. You obviously did recognize there was a problem or else you would not have decided to go ahead with the training centre. When I found out, not through the company but through the union, that you had gone that route, I was very pleased. At some point I would like to take a tour there.

Mr. Walter: The magnitude of the job was so great that I do not think any of these others could have come anywhere close to it. In that training centre we will have had over 590,000 hours of training, which includes our apprentices and the training of our--

Mr. Cooke: Is that in operation now, the training centre?

Mr. Larmond: Yes, it is. We would be pleased to have you visit it at any time.

Mr. Cooke: Alex Sinkevitch, the president of the union--

Mr. Larmond: I know him.

Mr. Cooke: --has been asking me to take a tour of the plant and I certainly will.

Mr. Walter: I am sure you will be very impressed with it. It is an excellent facility.

Mr. Cooke: Thank you, Mr. Chairman.

The Acting Chairman (Mr. G. Taylor): Mr. Mancini is not here and he is next on the list. Mr. Mackenzie?

Mr. Mackenzie: I just have three or four questions and

we have dealt with some of them. I would also like to get your reaction to this, to whether there is some truth to this statement in this report or if it is another crock.

The paragraph following the one that was read by my colleague says: "The remaining 40 per cent of GM Canada's capital investment program is devoted largely to conversion of the St. Catharines V8 plant to V6 production by 1981 and the adjustment of Oshawa assembly to J-car production and stampings. The B-car to J-car conversion is seen as a response to foreseeable difficulties in GM's production-to-sales ratio because of rising market shares in Canada and because of tentative recovery of intermediate sales in the US. Conversion to J-car production, while offering a more fuel-efficient production mix of cars in the short-term presents some potential disadvantages for Oshawa. Employment is not expected to be as high given the same volume of production on the J-car as on the intermediate and large cars it will replace."

It then refers us to a subsection and some figures that are in the report.

Mr. Walter: The key words there are "the same volume."

Mr. Cooke: You will be increasing it.

Mr. Walter: There will be an increase, yes.

Mr. Mackenzie: That is what leads to your comments that we can expect more, not less.

Mr. Walter: Right. Our frame shop, for example, is sized for 65 an hour. You have no idea of the tremendous job required to convert one of these plants from conventional rear wheel drive, frame vehicle production to production of an integral body with front wheel drive. It actually requires the total replacement of our paint facilities almost five years sooner than we had planned.

Mr. Mackenzie: I recognize that you are dealing strictly with GM. We have to take a look at the number of people who have been before us. Some of them have not been very encouraging in terms of efforts to get out and compete in the markets. I just wonder how a situation such as we ran into with SKF reflects on the industry in general.

There it was pretty obvious that the effective and productive larger-cost runs of hearings were gradually eliminated and more and more they went to a strict assembly of the hearings, to the point where they could make an argument, even though there was still money being made, that the plant was not feasible. Then a decision, which was known by the workers and the unions in West Germany and Sweden, was made three months before they told anybody here about it.

You make the argument--and I do not dispute it--that you have gone out and sold on the market. This committee has been given all kinds of examples where there appears to have been some deliberate manipulation of the production and product lines, designed to put them in a position to close down a plant or an

operation. It seems to me that it is okay, on the one hand, to have one firm that is out doing the doggone selling business, but generally it is a pretty black eye to a lot of major industries.

Mr. Walter: We have a history of change--and this automotive industry is a very changeable industry--but the changes we have made where we had plant closures have involved replacing them with something better that had a market.

Our Scarborough plant is a good example. They built Frigidaire products there initially and they got uncompetitive basically because of high labour costs and eventually had to go out of business. They then filled it up with components business. They took that same work force and retrained it so it could produce things like prop shafts and headlamps and all that sort of stuff--radios and what have you. Even then we were not able to fill that plant up completely and we had an employment force of about 900, I think it was.

We closed down that operation for five months and converted it to a van plant. We have now hired 2,564 employees as of this morning.

We have had plant closures, sure, but we have always been aggressive in replacing them with something.

Mr. Mackenzie: I wish the same held true for some of the others we have heard from.

Mr. Walter: We took over a plant in St. Catharines that had closed, Columbus McKinnon, and it is a fine operation right now.

Mr. Mackenzie: Just exactly how much latitude or independence from the parent company does the GM operation have?

Mr. Walter: In terms of what?

Mr. Mackenzie: What kind of freedom do you have? What kind of decisions can you make?

Mr. Walter: Well, it is like any other business. It gets down to being competitive. My greatest sales effort is the fact that we have an excellent work force; we have a tremendous management team; we are aggressive; we are competitive; we can take anybody on at a fair dollar and in most cases beat him a little bit; our quality is at the top of the heap in anything we make. That is what I have to sell, and when those decisions are made I can influence a decision by that kind of an effort.

When there is a decision to be made on what is going into Canada or what is going into the US, there are about five car divisions down there that will be fighting against me for the business and there will be the odd component division that will be fighting for it. You do not sit here and decide, "I am going to make this," or, "I am going to make that." The decision is based on what is required for the total North American market. It

fluctuates with that market. The decisions are arrived at, basically, on the basis of economics and quality.

Mr. Mackenzie: There are no restrictions on your going after a market, but you have to compete with your competitors.

Mr. Walter: There are no restrictions. I can go after anything I want to go after.

Mr. Mackenzie: There is just one general question: What is your reaction to the possibility of a car totally designed and built in Canada by any one of the Big Three? Could it be viable today, or is that a pipedream of long ago?

11:20 a.m.

Mr. Walter: Don't invest any money in it because it will cost so much and you will not sell any and your money will go down the drain.

Mr. Mackenzie: What you are saying, in effect, is that it is just not a possibility, given the current times.

Mr. Walter: No, I am afraid not. I do not think people have any conception of what it takes to bring a car into the marketplace.

Mr. Mackenzie: Do you think there is any chance that the Canadian or North American industry will regain any of the market it lost, for example, to the Japanese?

Mr. Walter: Absolutely. Our problem is that we do not have the products to compete head on with them right now. But our new J-car that is coming out in the spring is going to compete head on in that marketplace, and it is a fine automobile.

Mr. Cooke: What time are you looking at? This report indicates 1985 is the earliest that the auto companies in North America will be in a full position to compete head on. If I remember the statistics correctly, they are looking to a 25 per cent to 29 per cent penetration by the Japanese or foreign auto makers into the US until that time. Does that seem reasonable?

Mr. Walter: Where they are chewing us up right now is in that lower end of the market. We have 70 per cent or better of the top end, although no intermediates. We just do not have the products right now to meet their product offerings head on, but we are going to have them.

Mr. Mackenzie: How do we get around that? I know General Motors has gone on record as opposing import restrictions, yet one of the things this report says is that the auto companies are being forced to make cars that are more expensive than those of the other companies because of the need for capital. Therefore, in terms of price competitiveness, the North American auto makers are a little bit out of whack because they need the money. It is understandable, though, why the prices are different.

If we are not going to have import restrictions, how do we possibly save companies, particularly Ford and Chrysler, from going out of business over the next five years?

Mr. Walter: The corporate posture on that has been a consistent one of wanting free trade. They have said that they think the Japanese auto builders would have the good business sense to kind of control their imports at a level that would be acceptable to the economy over here. They apparently have not listened to that advice.

We are still in the posture that we believe in free trade and that we can be competitive, that we will be competitive and that we are competitive in a good part of our product line. It is only where we have a gap in our offerings that we have a problem right now. I think that the programs we have--when we say 1985, 1985 is the model year and it actually means that we will have full coverage in 1984, the calendar year.

Mr. Mackenzie: In the fall.

Let us go back to another paragraph in this report, just read it and try to digest it. This goes back to the question of engines in Canada. The report says: "Graph 2.1 shows GM North America's intentions for the V6 gas engine as a bridge until diesel and mini-engine capacity can be constructed. GM North America will source about one third of the V6 'boom' in 1980-82 from St. Catharines with the rest coming from a new Mexican plant and converted V8 plants in the US. GM has a fully rationalized four-cylinder expansion program based on the 1.6 and 1.8 litre block which it is implementing globally with the exception of Canada."

It goes on in the last sentence to say, "GM Canada failed to win authorization to produce the diesel V6 which offers potentially longer production life and larger volumes over the mid-term." I take it that is part or some of what you say is not correct.

Mr. Walter: I thought I answered that a minute ago. Our decision is tempered somewhat by the foundry operation, which keeps that business in Canada. On the other hand, the aluminum end of the business, basically, would have come from the States probably, and there probably would have been much less Canadian content in the engine and a lot fewer jobs. We meet every month and look at the forecasts and get the input from the marketers--they have their five-year plans and their outlook forecasts--and we are assured that there is adequate business for one V8 line and one V6 line.

Mr. Cooke: On that subject, on page 60 it says: "The direction for North American engine production in the 1980s is towards four-cylinder engines and diesels. General Motors projects that by 1985, 80 per cent of its North American vehicles will have four-cylinder engines and 25 per cent will be diesel-powered. Ontario's position is made vulnerable by the fact that it has no production capabilities in either of these areas."

Mr. Walter: They are talking passenger cars and they overlook the \$3-million-a-year truck market. You are not going to find too many four-cylinder engines in trucks. The small truck they are going to bring out at the start of the 1982 production will have predominantly the V6 engine in it. There is still a large portion of the market for the regular sized trucks, what we call the C-10 20/30 series, and they are the load carrying capacity that is needed and they basically require a V8 engine.

Mr. Cooke: Where else are they producing V6 engines? You have a plant in Mexico that produces the same thing.

Mr. Walter: There is one plant in Mexico which will supply the Mexican assembly operations and probably supply some of the assembly plants down in that part of the southwest. There is a V6 engine, just one engine in Chevrolet, now. They had planned three of them, as I say, in the same term and fortunately it turned soon enough that they were able to back off without conversion.

Mr. Cooke: You are confident that of, apparently, 360,000 engines a year from Mexico, V6, according to this report, and then whatever number of engines they are producing in St. Catharines, you are confident that the market will be such that both those plants can be kept in operation?

Mr. Walter: The number that I have seen says that, yes.

Mr. Mackenzie: In effect, that paragraph is not necessarily incorrect, you are basing your hopes on the truck business.

Mr. Walter: I do not know the exact numbers; I would have to chase that down.

Mr. Mackenzie: It also indicates that any mini-truck production, and there seems to be some growth in this market, is earmarked for the US, almost totally, as far as GM is concerned, that it is the light trucks that we will be operating with here, is that it?

Mr. Walter: That is right, it is going to be assembled in three plants down there.

Mr. Mackenzie: That is what it says.

Mr. Walter: Then there is the new plant at Lorain that replaces the old Frigidaire operations, one is in a new plant in Shreveport, Alabama, that was about 75 per cent completed and then was mothballed for a while. It did not bother me a bit because we were 45 an hour on trucks and 26 an hour on vans. We exceeded the trade ratio by over 20 per cent. In spite of exceeding the trade ratio by that much, we have been kept in business because we build the lowest-cost and the best trucks and vans that General Motors produces.

Mr. Mackenzie: My concern is really just one that we

seem to have all of our eggs increasingly in one basket, that is my concern.

Mr. Walter: I do not think so.

Mr. Mancini: Mr. Chairman, I just have a couple of questions. Some people, as you know, are not very happy with the auto pact at the present time and some people are even saying that Canada would have been better off back in the early 1960s if we had never got into an autopact agreement, if we maybe had gone the route of a European country and produced a Volvo or something like that. I do not agree with that, but I would just like to have your opinion. You have been in the business a long time.

Mr. Walter: I think we are on record as saying that we think the trade package has been good to Canada and has been good to General Motors. I think the fact of our growth in Canada has been directly related to the trade pact. We could not rationalize and build a lot of one product rather than build a whole bunch of everything like was done before 1965 in which you were not cost competitive by a country mile. There would not have been the growth in the automotive industry in Canada because the prices would have been uncompetitive. The engine lines they are talking about, those engines are going to be shipped back to the US, they will go in the small trucks that are built there.

11:30 a.m.

All that we do in our manufacturing operation are good sufficient modules because we have rationalization with the US. We have a good radiator module, we build a lot more radiators than we use in Canada. On the other hand, we do not build any steering gears. So there are these trade-offs. Because of the trade pact we have been able to build a very good and efficient operation and have been able to grow. I think our growth is like 120,000 employment in Canada; we have about 40,000, the dealers have about 40,000, and there are about 40,000 suppliers that are dedicated to GMs.

Mr. Mancini: I concur with your comments completely. I just bring this up because I believe this last week we had a professor, a self-proclaimed specialist on the industry, and he was another one of these individuals who said Canada had gone the wrong route and that we would have been better off with our own industry.

Mr. Walter: We do not publicize it a great deal but quite a few of our expansions have been directly related with the trade pact because of ratio requirements. We have gone beyond those requirements but there was a period when we were hard pressed to meet them and we put expansion in to get beyond that so it was not a problem any more.

Mr. Mancini: Mr. Gray has informed the United States government that he wants to have discussion concerning the autopact agreement. I take it that is strictly on the sourcing of parts matter. Do you understand it to be that?

Mr. Walter: We are basically concerned with the trade balance situation and as to what is being done to rectify that.

Mr. Mancini: Due to the imbalance in the parts matter.

Mr. Walter: It happens right now that the trade balance, as far as we are concerned, is in balance but we do not like the way it got there. The Canadian market went downhill and we do not import as many cars and sales.

Mr. Mancini: Are you speaking strictly for General Motors or for the auto industry in general?

Mr. Walter: I think probably the same thing could be said for the rest of the industry.

Mr. Mancini: But what I have been able to read is that we have more than a \$3-billion deficit in the parts manufacturing end of it.

Mr. Walter: You have to clarify that because the way the thing is set up they deal strictly with parts that flow across the border and they come and identify those parts, as against the ones that are made in Canada and either used in Canadian car production or shipped to the US. We have a very active program to get Canadian suppliers to supply sister divisions in the US and we have had that program for almost five years.

At any rate, what you have to look at is the total imbalance because the parts that come over to be assembled in the cars and then flow back as an assembly, count in the car, and that is a plus, but the parts that come over to build that car are charged against the parts imbalance but that is not corrected with the car going back.

Mr. Mancini: So if they figured it out the way you would want them to, what would be the deficit, or would there be a deficit?

Mr. Walter: I think there would still be a deficit.

Mr. Mancini: What would the range be, would it be cut in half?

Mr. Walter: --something like a billion. I think that is what we are attacking: how do we get that part, now.

Mr. Mancini: So it would still be a fairly substantial deficit.

Mr. Walter: Yes, but not the numbers that they forecast.

Mr. Mancini: Possibly this has been asked before but I had to leave the room earlier. A couple of other members questioned you on the report that was done by the Ministry of the Treasury, and the report basically shows very little future for the V6 engine. Do you believe that, that there is no future for the V6 engine?

Mr. Walter: There is a definite future, and there is a definite future for the V8, but the applications are growing less.

Mr. Mancini: Is this the long-term future we are talking about?

Mr. Walter: In the long term there is a future for both the V6 and the V8. The expansion of the truck production will require V8 engines and a portion of the small trucks will require the V6 engine as well as a lot of your other cars which are in the regular size cars, even though they are down sized they will still have the V6 engine.

Mr. Mancini: The family automobile will still have a V6 and a V8?

Mr. Walter: The station wagons, and you have got the van market also.

Mr. Mancini: Why does the report show the V8 by 1985 going almost right out of production?

Mr. Walter: In passenger cars.

Mr. Mancini: Yes.

Mr. Walter: I do not know. I have not read the report but it sounds to me like it is a doom and gloom thing.

Mr. Mancini: Well, yes. That is--

Mr. Walter: You have us buried and we are still fighting.

Mr. Mancini: That is right. They have you buried and--

Mr. G. Taylor: I must add, though, sir, the report nobody relied on.

Mr. Mancini: --and the flowers are wilting, et cetera. But I was questioned on the report over the weekend and I was very careful in my response. I said it was the outlook of one group of economists on the industry; it was fairly negative and I knew there were other people in the industry who were not as negative about the future of the industry. But the report does say, and because this is what we have in front of us we must use it for a basis of questions, the report does say basically that there will be no V8 engine used for the family automobile and there will be a very small market for the V6 in the family automobile. If that is the case then we are out to lunch. There will not be anybody working at all.

Mr. Walter: We are not going to let that happen. If that market disappears, we will convert it over to a V4, or an L4. If the diesel market grows we will convert it to diesel. Just because we are meeting today's market demand does not mean we are set in concrete for ever and ever. Those things can sometimes change from year to year. I have seen lines that people quit buying and you convert them over to something else. You utilize the facilities.

Mr. Mancini: As I said earlier, there are a lot of professors around who are self-proclaimed experts on the auto industry but--you know the report has been made public but--

Mr. Walter: We are actually increasing our capacity at St. Catharines. We are not decreasing it.

Mr. Mancini: We, as legislators, have a responsibility to our constituents to make sure that we investigate matters that have been brought to our attention and that is basically what we are doing. I want to ask--I am not that familiar with it, but what would it cost, for example, if you had a line running that produced V6 engines and you had to convert it quickly to produce V4s?

Mr. Walter: A quarter of a billion.

Mr. Mancini: That is about \$250 million. I guess General Motors would be in the financial position to do that but possibly some of the other auto makers such as Ford--

Mr. Walter: We do not throw money down the rain barrel, you know. We are looking at this market out in front of us, and we have people we pay a lot of money to who can analyse the markets, and the progress, and so on. They are damned good economists--and marketers.

Mr. Mancini: Are you saying that they are better than the Treasurer's economists?

Mr. Walter: I would not say that. I am just saying what I know. I have not read the report. But all I am saying is that they know our business. They understand it. They have been in it years and years, and we would not be spending \$275 million to convert a V8 line to a V6 line at St. Catharines if there was not a sale for those engines. We are not that stupid.

Mr. Mancini: That is why I agree with you that your economists are very good and they are probably not that stupid but then Chrysler is on the brink of bankruptcy--

Mr. Walter: If they are wrong, you know, then maybe we will have to convert it to--you know, we can cut them in half and have two in-line sixes or threes, rather. That is actually what is going to happen. The Buick V6 is going to become a three-cylinder slant-in-line six.

Mr. Mancini: Thank you. I am glad to hear the people who are actually in the industry are more optimistic than people--

Mr. Walter: We are optimistic because in spite of a recession and in spite of all this doom and gloom, the greatest desire of a 16-year-old child is to get a driver's licence. As long as we have that going for us, we are in a good business.

Mr. Mancini: But at \$9,000 a crack, he might have to wait an extra three or four years to get that automobile. And at \$9,000 or \$10,000 a crack--

Mr. Walter: Are you under the impression that automobiles cost a lot of money?

Mr. Mancini: Yes sir.

11:40 a.m.

Mr. Walter: Let me tell you something. In 1971, now this is 10 years ago; 10 years ago a base four-cylinder Impala sold for \$3,901. That same base four-door Impala in 1981, along with a lot of emissions, bumpers, all these other stops that have been mandated, plus an automatic transmission, radial tires, and a rear window defroster, runs \$8,690. Now, you say, "My God, that is a lot of money." Okay, go back to your Canadian statistics and on the average hourly earnings in manufacturing. That guy had to work 1,189 hours back in 1971 to buy that car. This year he only has to work 1,089, and he is getting more product.

Mr. Mancini: You sound like Eugene Whelan.

Mr. Walter: No, these are facts. These are actual facts.

Mr. Mackenzie: Nobody sounds like Eugene Whelan.

Mr. Mancini: You sound like Eugene Whelan because--

Mr. Walter: You used to be able to buy a bottle of Canadian Club for \$3.50, too.

Mr. Mancini: --he always bring up the subject of eggs because that is a sensitive issue with him. He always refers to the employee as working so many minutes back in 1970 to buy a dozen eggs and how that is drastically reduced. I think when you combine everything, I think when you combine the cost of money, and the cost of housing, and the cost of food, in general, and everything else, that--

Mr. Walter: The cost of taxes.

Mr. Mancini: The cost of taxes, and we have had a Conservative government in this province for 39 years and they have not helped the situation one iota.

Mr. Turner: We are doing very well, I would think.

Mr. Walter: No, but an automobile is purchased out of expendable income after all the other necessities of life are taken care of. The guy has to use less of his expendable income today than he did 10 years ago to buy the same car--in fact, a better car because it has other things on it.

Mr. Mancini: Most reports I have read indicate that since 1974 disposable income of the average employee has been going steadily down. That may or may not be correct, but that is some of the information I have read. I would like to ask you--

Mr. Walter: It does not agree with what I have seen in the marketing business. No.

Mr. Mancini: Just as your economists do not agree with the government economists as to the future of the industry, but these things are made public, and they are open for debate, and it has a large influence on the psychology of the buyer and the people, in general. It makes everyone nervous and edgy, and we want, all of us, to look for solutions.

I want to question you concerning the world car. The way I understand it is that prior to this retooling of the auto industry, parts that were made for the North American car fit the North American car, but now the multinational corporations in the auto industry are setting up plants all over the world, and the parts they make would fit the car no matter if it was in Europe, or South America, or in North America. Is that basically correct?

Mr. Walter: Within reason. They may not have the same transmission but in the mounting of the transmission and the engine, both spacings would be the same, so that you could use a Strasbourg transmission, or you could use a Muncie transmission, or you could use a transmission from Windsor, in that same car.

Mr. Mancini: It also appears to me that in a lot of places where these parts of the automobile, the world car automobile, are going to be manufactured, many of the, I should say the vast majority of the people in the home countries probably could never even afford or think to afford to buy your product. I am wondering if you are going into these countries because of enticement from foreign governments, or for lower wages, or--

Mr. Walter: Basically, if you are talking the European thing, it was to get enough product over there to compete effectively in the European market. That is a growing market.

Mr. Mancini: Okay, let us exclude the European market. Let us go into other countries. South America--

Mr. Walter: Like what?

Mr. Mancini: You mentioned Venezuela--

Mr. Walter: Well, Venezuela and Columbia, we ship to them.

Mr. Mancini: Spain, Venezuela, Columbia, Mexico.

Mr. Walter: Spain is another growing market. One of the greatest markets that exists right today is Brazil.

Mr. Mancini: So you are saying that you are developing and building plants in these countries because that is the only way you are going to be able to serve their markets?

Mr. Walter: That is true. Yes.

Mr. Mancini: And the governments there would not allow you to have access to that market unless you provided a reasonable amount of investment in jobs.

Mr. Walter: There is some of that in it, yes.

Mr. Mancini: Would that be the majority factor?

Mr. Walter: Well, I think Brazil has some reasonably strict local content. In Venezuela and Columbia it's a small percentage, but it's projected to increase over the years.

Mr. Mancini: Do you find that offensive?

Mr. Walter: No. I guess we are flexible enough to work with it.

Mr. Mancini: Would you find it offensive if the Canadian or the Ontario government put enough pressure on all the auto makers in general to accomplish the same end, that if you want access to our market we demand an equal number of jobs and investment?

Mr. Walter: I thought we had that now.

Mr. Mancini: No, but it is not as strict as some people would like.

Mr. Walter: We think it is strict.

Mr. Mancini: I guess we are speaking of the auto pact--

Mr. Walter: We don't have legislated emission control but you have guidelines and boy, we respect those.

Mr. Mancini: Do you think that the requirements are more strict in the European and these other countries than they are in Canada?

Mr. Walter: No, I don't think so. In fact some of the things that some people over there did, like in Austria, where they practically paid for an engine plant-- In Spain the grants were very, very large. That is another incentive.

Mr. Mancini: This is leading me to the question concerning plant closure and plant relocation and the disruption of a significant work force in a community where you would have a plant, et cetera. Let's take Spain, for example. I don't know what legislation or governmental requirements it would have--but you say you have a large plant there?

Mr. Walter: We are building a plant there now.

Mr. Mancini: You are building a large plant. So let's look down the road maybe a dozen years. If things change and there is need for your company to take drastic measures and possibly one of those would be the closing of that plant or a huge layoff. Would those governments allow you to do that?

Mr. Walter: I don't know.

Mr. Mancini: You would build without even inquiring?

Mr. Walter: I am sure someone in the organization knows, I don't know. I'm sure that all those nations are adequately covered before they make an investment.

Mr. Mancini: If the alternative was no access to the market, what would you do?

Mr. Walter: We would have to look at an awful lot of factors, I guess.

Mr. Mancini: So as far as you are concerned, then, plant closing legislation, per se, would not scare off investment because you would have to consider--

Mr. Walter: I don't even know whether that's involved. Now you are asking me a question that I cannot answer. I think it's a factor--any of these things that require cost increases, make us less competitive. I don't care what it is. It always ends up to the consumer. I don't care whether the government underwrites it or we underwrite it, it's always the poor consumer who gets it in the neck.

Mr. Mancini: Yes, that is true, but also you have to defend the right of your citizens to have jobs if the opportunity is there. If you are going to allow people access to your markets without trying to get an equal number of jobs to justify that access, you're certainly not doing your job for the consumer.

Mr. Walter: I think you have to earn that right. I mean, you can't become lackadaisical and let the place go to pot and say, I'm going to keep it open, regardless. You cannot have a work force that's not responsive. Security has to be earned for the working man and for management. You cannot legislate it to them.

Mr. Mancini: No, well, management has the right--

Mr. Walter: The quickest way to get them all out of business is build enough fences around them so they are totally protected. And the country will go broke trying to support them.

Mr. Mancini: That is one scenario.

Mr. Walter: That's a true scenario.

Mr. Mancini: That is one scenario, but we are talking more right now of justifying access to markets. Also, if you don't provide jobs for the people in that market they are not going to buy your product anyway. So I think it would be self-serving--

Mr. Walter: We have no quarrel with what you are saying. Our performance says that. We don't need a lot of laws to make an act. We haven't had in the past.

11:50 a.m.

Mr. Cureatz: Thank you very much, Mr. Chairman. I apologize for being late. I had a delegation meeting with the Minister of Housing.

Mr. Chairman: Did you win?

Mr. Cureatz: We will find out in a couple of weeks during the election campaign. Well, I am waiting for the members opposite to give their reaction.

Mr. Cooke: You cannot win with Claude, you know that.

Mr. Cureatz: For my benefit, I want to cover a couple of points. The first is on page seven, the second last paragraph, "a supplement to unemployment benefit plan as well as a separation payment plan."

General Motors has had, for a number of years, that kind of negotiation in its contract. I am wondering in terms of that example, if you feel that private industry should take the slack of what we are experiencing in Ontario at the moment on the question of severance pay, and that, possibly, there should be more corporate consciousness instead of legislation? Is that a viable alternative of negotiations between corporations and unions of supplying supplemental unemployment benefit plans instead of legislated severance legislation?

Mr. Walter: Well, we think it's the proper place to do it. I suppose we have cases where there are not any unions in some of the smaller companies. I don't know how meaningful that would be.

Mr. Cureatz: What happens--and I'm thinking in terms of suppliers to General Motors--if they are able to institute this kind of negotiation process instead of having a legislative severance pay in a contract. There is some kind of benefit plan set up now. In your estimation, the supplier's submission for whatever he is putting a tender in, would probably be greater because he has got to accommodate this extra cost. When you are figuring out your contract negotiations--

Mr. Walter: You're starting to talk about redistribution of the wealth, Sam, I think.

Mr. Cureatz: Well, in regards to your experience. You have to add a built-in cost for the supplemental unemployment benefits plan.

Mr. Walter: Okay, but if we did not do that we would probably have a five-per cent surtax on our corporate tax or something to pay for this. Somebody has to pay for it in the end, and if it does not flow free from the government because the government has to come out to us and the other people and get the money to do it--If you negotiate an agreement with the representatives of the people who work for you and it is satisfactory to them, because they have to ratify it and accept it, and you can plan for it in your cost, we think this is the best relationship in the world. But things are different. Some businesses have ups and downs, and they need more protection than other businesses.

Mr. Cureatz: Some of the difficulties we have

encountered, of course, are that we have not had a situation where there have been amicable negotiations between unions and corporations to provide these kinds of benefits. Some of us are hesitant to get into that kind of legislation. We are trying to decide whether overall encompassing legislation is going to be so disastrous to those good corporate citizens just for the sake of rapping the knuckles of those unresponsive corporate citizens. Do you think there would be an overreaction for requirement of severance pay legislation?

Mr. Walter: What we are saying, in essence, is that we agree with the intent of firm legislation in this area.

Mr. Cureatz: When the mayor of Oshawa had been before the committee with Mike Breaugh, there was indication that in terms of justification for plant shutdown, the municipalities should be involved. I am thinking of Oshawa and the number of plants that have been closed there the last two or three years. Was there any kind of repercussion to General Motors when these announcements take place?

Mr. Walter: As far as we are concerned, we have it as an operating policy to keep the governments--local, provincial and federal--informed of what we are doing, what our changes in plans and operations are, our employment levels and this sort of thing. So, in essence we are doing a reasonable job, if there are no big surprises, in that we explain, we have reasons for what we are doing and everybody understands that.

I would be very much against it if we were going to close down our radio operations because they could be built cheaper in Mexico, say, or in Singapore and we could not compete any more. I would be very much against government coming out and telling us what to do with that operation or telling us we have to stay in business.

We have a responsibility to our employees. We already have plans to replace that radio business with some other business because we know it's going to Mexico. We cannot compete with \$1.50 an hour. It is a labour-intensive operation.

Mr. Cureatz: That was my follow-up question as to plant justification legislation. Do you feel that kind of legislation would be extremely restrictive to international corporations in trying to invest capital funds in Ontario?

Mr. Walter: I think it is a harassment we do not need as long as we react as responsible public citizens, which I think we have.

Mr. Cureatz: Some of the difficulties the committee has seen involve foreign corporations operating in countries that already have justification legislation. So they turned to a jurisdiction, which happened to be Ontario, and decided that was one area they could shut down without any kind of repercussion. Of course we bear the burden in the long term of supporting those people who are unemployed. I think the committee is wrestling with

whether to match those other countries, so justification legislation for plant closure is the way to go.

Do you think, in terms of North America and the competition of Ontario vis-a-vis other states in the United States, that justification legislation for plant closure is the way to go at this particular time?

Mr. Walter: As a single item it is not going to deter us but it is one more thing you have to go through and it costs money. We think we have a good track record and we have communications with the government. We do not see any need for it, from our viewpoint. We do not want to spoil a whole barrel of apples because we have one or two bad ones. But that can happen.

Mr. Mancini: It seems to me I have heard that before.

Mr. Walter: We have done our best to try to help out with some of those that did what you said. We absorbed a goodly part of Firestone, Houdaille and Columbus McKinnon Limited portfolios into our operation.

Mr. Cureatz: I have no further questions.

Mr. Chairman: Thank you, Mr. Cureatz. I apologize for having been out for a part of the time. There are two questions I would like to ask. One deals with consumer tastes and buying habits. There is a prevalent view held in my own community, at least, that you guys blew it in the sense that in the early 1970s, and certainly by the mid-1970s, it was pretty clear that people in Canada had begun to change their car-buying habits quite dramatically. I do not know all the terminology but the popular wisdom is that your industry missed a significant change in buying habits. Could you respond on that?

Mr. Walter: I would refer you to an article in Forbes Magazine, an editorial by William Tucker. He says it so well I am just going to read it because it is absolutely true. The prelude says:

"It is chic now to blame it all on the auto companies. Weren't they shortsighted in sticking to big cars for so long, and how Americans love a scapegoat.

"In a topical article in November's Harper's Magazine, William Tucker said otherwise. Both Ford and GM, he showed, made repeated attempts to design and sell small cars only to have them rejected by the public. The real villain, he said, is Congress, which enabled the public to indulge its taste for big cars by refusing to let gasoline prices rise to the world levels at \$2.50 or so a gallon. It is quite a picture: Congress pandering to the voters who refuse to buy small cars and then blaming the whole mess on the auto companies."

12 noon

That is exactly what happened. When we were building the Vega up at Ste. Therese we could not get enough orders to keep

that plant on. We put in the Eight Special up there. The same thing happened here. We could not meet the auto pact. We came awfully close to missing it. In fact, that was the only one of a few years when we were just on the brink. So we got out of that mess and got some intermediate cars up there that had a stable market. We had the small product but the public wouldn't buy it. The Eight Special is a great car, but there's a change in the timing.

Mr. Mancini: What is the name of that eight special?

Mr. Walter: The Monza. Now it is being replaced by the J car as a new model front-wheel drive. It's been a tremendous seller for the past two years.

Mr. Mancini: When did you first produce the Vega?

Mr. Larmond: 1972.

Mr. Cooke: I think a lot of people remember the 1972 Vega. I was unfortunate enough to have one.

Mr. Breaugh: Me too; I got tired of peddling.

Mr. Mancini: What was the problem?

Mr. Breaugh: The problem was it was burning more oil than gas.

Mr. Chairman: That says it pretty succinctly. They had two conflicting objectives, the government trying to perpetuate the myth of cheap energy, cheap oil--

Mr. Walter: That was the basic problem. By and large, we don't tell the public what the heck to buy. That's a can of worms--anybody who says that. We may influence them on styling and the desirable product and that sort of thing and make an effort to do that, but if they want small cars, they are going to buy small cars and we are going build small cars for them. That is exactly what we are going through.

The problem is that it just happened overnight. We went through the crunch in 1975. Then in 1977 the public had forgotten all about that and you couldn't sell small cars. We couldn't build enough big ones. So we were on full flat-out overtime. We had the St. Catharines engine plant building 3,500 V8s a week with a 2,600-a-day capacity. That's how far we were pushing them. We couldn't build enough of them.

Then, all of a sudden in this last crunch the people have turned and apparently have turned permanently. We were sitting high and dry. Fortunately, I think, GM was ahead because we had the Chevette coming on stream and we had the X car in the planning stage. So we had a two-year jump on the competition. It still came as a sudden turnaround. You can't spend the kind of money you have to spend to convert over with the resources you have. It is impossible to do it all in a year or two. It takes three years from when you start engineering it to bring a car on stream.

Mr. Chairman: My last question, then Mr. Cooke has some questions, I think. With regard to the Canadian buyer, generally speaking, are there statistics that show that Canadians tend to purchase larger cars than their US counterparts?

Mr. Walter: Yes, but they are catching up now. There is about two per cent difference between the subcompact and compact market in Canada versus the US. Prior to this past year what you said is true. There has been a tendency for Canadians to buy bigger cars.

Mr. Chairman: I was talking to a gentleman this morning. I was born in northern Ontario. A lot of my family is still up there. I think it is a reflection of geography and distance from community to community, working environment, and so forth, but there has been a tendency which is still in place to purchase larger automobiles than people in southern Ontario tend to do.

Mr. Cureatz: Supplementary to that, Mr. Chairman: In regard to the performance of larger or smaller cars, time and time again we seem to get from the news media that the import of Japanese cars, smaller cars, is still ahead in terms of overall performance and general custom-builtness as opposed to American small cars.

Mr. Walter: A lot of this is myth from the standpoint that it is proven fact that on durability, the North American car is far superior to the Japanese car. In the long range, if you look at motor reports--and we study those religiously--they all start out lower than we are initially. The reason for that is they have done a much better job on fits and finish of the cars. They pay much more attention to paint, to door fits, and to cheap metal perfection, all the little things; they do an excellent job on their mouldings and the external things and the interior trim that the customer sees.

The first impression is very impressive. That is why we have this concerted effort in the corporation to turn this around. This new J-car will be built like the Japanese cars in that the whole side of the car will be one standard, so every door frame is identical and when we assemble that it is going to be assembled by robots on one fixture. Every car that comes off that will be exactly the same: windshield opening, decklid opening, door openings, hood openings, and so on.

That is one of the basic reasons we are going to automation. It is not a great cost-effective saving to do that, but it is the quality we get in the end result, the fits and finish end of the business. That is why we are spending all that money on the paint system.

Mr. Cureatz: Mr. Chairman, supplementary: In terms of the small cars, in regard to the cost, do you feel you will be able to match the cost per cost input?

Mr. Walter: It's tough because they have a \$7-an-hour labour advantage over us. I guess we have to be more innovative than they are. We have to pass them to get there. I think we are

going to be competitive. Everything we are doing is aimed in that direction.

Mr. Mancini: The \$7-an-hour labour--are you talking about Japanese labour? Of course, that doesn't include all the benefits. What would be the total labour cost?

Mr. Walter: Do you have that number?

Mr. Andrew: That would be about \$18 including the benefits.

Mr. Mancini: Sorry, what is the figure again?

Mr. Andrew: The US-Canadian rate is about \$18 per hour and the Japanese rate is around \$11 something, including benefits.

Mr. Mancini: I read something recently in the Financial Post that said that their wages per hour were almost equal to the North American rate.

Mr. Andrew: The difference is in the neighbourhood of \$2 to \$2.50 per hour in wages; the rest is taken up in benefits.

Mr. Walter: The other thing is that there is a marked difference between their suppliers' wage base and our suppliers' wage base and this is another almost \$4 an hour at that level.

Mr. Mancini: I want to ask a question concerning the subject that Sam brought up and that was--

Mr. Chairman: Make this the final supplementary. Mr. Cooke is on the list.

Mr. Mancini: He has been on the list three times, with all due respect to Mr. Cooke.

Mr. Cooke: Once.

Mr. Mancini: He has had numerous supplementaries, Mr. Chairman.

Mr. Bakins: We thought he was guest speaker.

Interjections.

Mr. Mancini: We want to be assured you will give us the same co-operation you gave Dr. Elgie, that is, when he says "Jump," you say, "How high?"

Mr. Larmond: This is an interesting day to come here.

Mr. Mancini: That is what we have been witnessing for 18 months: Dr. Elgie says, "Jump" and Mr. Mackenzie says, "How high?" It has been one of those experiences.

Mr. Cooke: Which cabinet post are you going to get?

Mr. Mancini: There are several we can look at.

Mr. Cureat: Propaganda.

Mr. Cooke: There is another word for that.

Mr. Mancini: If we could package all the hot air that came from that side, we could solve the energy crisis. I have been speaking with some people in the manufacturing industry, for example, making small portable television sets, radios, especially radios that go into automobiles, clocks, et cetera. They gave me figures, one in so many hundred manufactured by the Japanese auto makers would have to be recalled, whereas our figure would be much less. For example, out of every 100 clocks that were put in cars, you might have to look at 20 that are defective, whereas for the Japanese auto makers that figure might go from 100 to 300 or 400.

12:10 p.m.

Of course, that causes a lot of aggravation for the consumer. When he speaks to his neighbour who has a foreign product, he says, "No, I haven't had any problems." The things they are referring to probably are whether the power windows have worked without repair, et cetera. I was wondering what steps you are taking to solve that very important problem. What steps are you taking to improve quality control on the line?

Mr. Walter: Your comparison must be, I think, slightly exaggerated, because I have not seen numbers that look like that. We continually compare our wide experience with the foreign producers and with Ford and Chrysler, and so on, and we have ways of doing this, to compare operations and keep adequate records. The history is that, on durability, our products are better than the imported products.

Mr. Mancini: So you are saying the exact opposite is true.

Mr. Walter: I would make clocks an exception because I do not think anyone has ever built a good clock outside of the digital ones.

Mr. Cooke: Just very briefly, some of the stats in this auto report, in terms of auto parts, are very alarming for the future of the auto parts industry in Ontario. For example, in 1975 it states that gasoline--these are percentages, by the way, of US imports of auto parts and we were and still are the major exporter of parts to the US, but this report predicts that in two or three years the Japanese will export more auto parts to the US than us.

Gasoline engines: in 1975, of imports to the United States we had 88.3 per cent. In 1979, it is down to 64.9 per cent. Engine parts: in 1975 it was 41.2 and in 1979 it was 39 per cent. Bodies and chassis: 51.7 per cent in 1975, 24.4 per cent in 1979. Wheels: 72 per cent in 1975, 64.8 per cent in 1979. There are some other stats that are equally alarming.

What it basically indicates--if I can find the page--it

says, "Between 1976 and 1979, Japanese parts exports increased by 102 per cent at an annual rate of 23.5 per cent, while over the same period of time, Canadian parts exports increased by only 52 per cent, or an average of 13.9 per cent.

"Japan is playing an increasingly important role in supplying components to the United States. Between 1976 and 1979, Japanese exports to the United States increased by 113 per cent, while Canadian imports of foreign parts rose 9.2 per cent for the same period. It is becoming increasingly clear that the Japanese are displacing Canadian parts producers as the leading supplier of major components for automobile production in the United States."

You were talking earlier about GM Canada sourcing parts from Canadian suppliers, and that was what your seminar was all about. But that is not going to be much help to the Canadian auto parts producer if the trend continues that the Big Three in the United States continue to source more and more parts from Japan, Brazil, Mexico, and so forth.

Mr. Walter: I am not familiar with those numbers at all, but any decision to source parts is basically an economic decision. People have to make investments to be competitive.

Mr. Cooke: What would your reaction be to a government program in the form of a crown corporation that entered into joint ventures with the parts producers in this province in order to expand, and joint ventures in research and development in order to make significant advances in the auto parts area. What would your reaction be to that type of an overall plan?

Mr. Walter: You mean to make capital or money available for them to--

Mr. Cooke: In the form of joint ventures, which would mean partnership.

Mr. Walter: I guess we would not have any quarrel with it. We do not really believe in the government messing around in that I hope it would turn out better than the Post Office.

Mr. Cooke: The Post Office is not a crown corporation, for one thing, but there is de Havilland, there is Air Canada, one of the few international airlines that made a profit last year.

Mr. Walter: Actually, I do not think I should even comment on the question. That is not my concern; it is a government matter. In fact, if the government was part owner in a parts business, it certainly would not deter us from purchasing the parts from them if they were competitive and of adequate quality.

Mr. Cooke: Obviously you deal with a lot of European auto makers that are partially or majority owned by the government. Can you see any other way to expect Canadian-owned corporations--because the multinationals are not going to do the research and development--

Mr. Walter: The main thing that is wrong with a lot of the parts manufacturers is that they have not elected to keep up the technology. You can get uncompetitive in one heck of a hurry in this business. What we have been doing, not just this last year but for the past six or seven years, is to constantly reinvest funds into the business to modernize our press operation and assembly techniques and a lot of other things.

Mr. Mackenzie: Can I have a supplementary on that question? While we are missing some 23 pages that seem to deal largely with the independent parts industry, the inferences all through the report are that problems may be there. And GM, relatively speaking, comes up smelling like roses compared with what they say about the other automotive companies in this report. But the indications are also that the independent parts industry is in real trouble. Why has there been a failure to keep competitive?

Mr. Walter: I don't know. But I sat with Herb Gray and others down in Windsor some time ago--

Mr. Cooke: I was there.

Mr. Walter: --and that got to be quite a contest. I said I just did not understand why they had to go running to the government to get help, when they had a 26 per cent labour advantage over the US, and something like a 24 per cent advantage in steel costs over the US. If they wanted to work at it and make the investments, they could get all the business they could handle.

Mr. Mackenzie: This is one of the difficulties I have. I have no hangup as some people do about joint ventures or government involvement, but I constantly get thrown at me, "Leave it to the private industries." But they have obviously goofed somewhere along the way, or somebody has, and that is what is bothering me.

Mr. Walter: I don't know, but I know from my own experience you can do it. And we are. We are very competitive with the US in anything we do.

Mr. Cooke: I met with the president of Chrysler Canada, not the present one--there have been three in the last few years--a few years ago with my colleague Ted Bounsell. And he indicated the same thing you are saying now. If you really want to get into business and make yourself a lot of money, get into auto parts, because we have a source from Ontario. Yet we are seeing all sorts of plant closures in the auto parts field. If it's so lucrative--

Mr. Walter: Some of them for various reasons--for example, with Houdaille it is the matter of the bumpers going out of style. It can be because of weight restrictions, trying to get the gas mileage down, going over to what we call--what do we call them now?--they are plastic bumpers essentially with a reinforcement at the back.

Mr. Cooke: Are those sourced in house?

Mr. Walter: So they put the chrome-plated bumper almost out of business.

Mr. Cooke: Are the new ones sourced in house or are they sourced from private firms?

Mr. Walter: They were sourced with the same company, but Houdaille closed down this operation because they had a more efficient one down in the southern part of the US. And it's a case where they had not really put any money into the Houdaille operation. John can speak firsthand about that. He went over and inspected the thing to see if we were interested in it.

Mr. Cooke: Well, we understand some of the problems will involve multinational auto parts firms which have, in terms of production and employment, the biggest portion of auto parts in Ontario. But in terms of companies, about 65 per cent, I believe, are Canadian-owned companies, and they are, by and large, small. Obviously they cannot get into a position to expand. They don't have the capital to work with. They also don't have the financial resources to get into research and development in a big way. If there is an alternative to the government going in with them in joint ventures for R and D and expansion, I would love to hear it. But they don't seem to be able to get the capital to expand or do the R and D.

Mr. Walter: I guess all I can say is if that arrangement would make a viable parts producer that would produce us a quality part at a lesser cost than someone else, then we would do business with them.

12:20 p.m.

Mr. O'Neil: Can I have a supplementary on that? You mentioned that you went to have a look at the Houdaille plant and there was some interest shown by General Motors in that particular location.

Mr. Walter: We went over to take a look at it. I had John go over because it was available and it was reported to have some presses and so on and the platings. It certainly was of a vintage that was of no interest to us. We were scrapping presses that were in better shape than the ones they had.

Mr. O'Neil: Would that be one of the reasons they had the problems that they did there? Was it because they did not have the capital investment and did not update their equipment?

Mr. Walter: As an outsider that is the way it looked. I cannot intelligently give you a firm answer on that but it looked to us as if they really had not put much money into the plant. The investment they had that they bragged about was the anodizing system for aluminum bumpers. This was new and was the latest technique, but the rest of the operation was not up to our standards.

Mr. Chairman: On behalf of the committee, gentlemen, thank you for taking the time to be with us. It has been helpful.

The committee is planning on Thursday next to issue its final report. We will see you get a copy of it.

Mr. Walter: Mr. Chairman, we talked all around the subject of why we came here. I want to make one point I thought would come out in the questions but it did not.

This proposed lengthening of the notification time, making it that much more stringent, is a serious concern to us because the way we would have to operate is to continually have a large number of our employees on notice of being laid off.

You can imagine yourself working for GM of Canada, having two or four years' seniority, and you get a notice that says you may be laid off 26 weeks from now. All of a sudden you begin to lose interest in the company you are working for. You don't have the desire to do the good job we want you to do. It is on your mind. You keep wondering if you should get a job, should quit or what. That is very disruptive.

We just had a terrible example of that at our Ste. Therese operation. Quebec has more stringent requirements than Ontario has in some respects. We were in a situation where we were actually in violation because we had made efficiency improvements to get our car across in line. We had a number of people out on layoffs. We had other rearrangements, and so on. When you start up an operation it takes more people until you get it running. This happens every year at model time. So we had some additional people who were going to be laid off.

So we went the legal route and notified the employees and the government. I forget now--were there 116?

Mr. Andrew: There were actually 134 to start with.

Mr. Walter: The net result of this was that it disrupted the work force and affected the quality of the product so badly we had to shut that plant down for two or three days and try to get it straightened out. It took us over a month to recover.

Mr. Larmond: We never did lay any of them off.

Mr. Walter: We never did lay any of them off. That is what is serious about this. I wanted to make that point and I thank you for letting me.

Mr. Chairman: Thanks again, very much, sir.

The committee recessed at 12:24 p.m.

LEGISLATURE OF ONTARIO

SELECT COMMITTEE ON PLANT SHUTDOWNS AND EMPLOYEE ADJUSTMENT

TUESDAY, JANUARY 27, 1981

The committee resumed at 2:15 p.m. in committee room No. 2.

UNITED STEELWORKERS OF AMERICA

The Vice-Chairman: I take it the chairman will be along shortly. Rather than hold everything up, we will get things started. We are very pleased this afternoon to have appearing before the committee the United Steelworkers of America and I believe, Mr. Cooke, you are going to lead off. Maybe we could get you to introduce the other people at the table with you.

Mr. S. Cooke: I have with me today David MacKenzie, legislative representative of district six, and Peter Warrian, who is the director of our research department in Canada.

I would like to start off, Mr. Chairman, with a film presentation, and I would like to say to the committee that I very much appreciate their co-operation in having the people here to do it. I would like to show this first because I think it sets the basis for the kind of discussion I would like to have with you this afternoon.

The Vice-Chairman: Very good. Do you want to run the film first then, Mr. Cooke?

Mr. S. Cooke: Yes, I do.

The committee viewed an audio-visual presentation.

The Vice-Chairman: Thank you very much, Mr. Cooke.

Mr. S. Cooke: I wanted to make that presentation because I feel that the area of this committee's examination is an area where it will take some years to really solve all the problems or even to find answers to questions on which we might disagree. This is not a simple process.

3:10 p.m.

If you think of that material as background, surely the proposals the labour movement has put before you are very modest proposals. Giving people notice, giving them portability for the pension credits they have earned, giving them severance pay and training and retraining are but a small beginning in this kind of world.

I would just like to say to you that this film has been on the market about two years and the technology it displays is about two years older than that. We have already gone ahead two or three generations in some of the things you saw there, and it does not take much imagination to take that material and put it in line, one with the other, to see the kind of control, the kind of

automation, the kind of displacement of persons we are talking about.

I leave some of the questions that have been raised for you to think about. Obviously the trade union movement is not the kind of ogre that is described in the short message there. None of us has suggested we should not progress.

What we are very worried about, though, is the control of that kind of process because it can make this kind of process obsolete if we wait too long. There is no way the democratic process can work if all the knowledge, all the power, all the wealth and all the technology is in the hands of those who are not responsible to us at all. There is no way those kinds of things can stop at a political border.

I tell you, it makes the row going on between Peter Lougheed and Pierre Trudeau look stupid because neither one of them will have the information. The guys who will have the information will be the multinational corporations who are operating. This is a theory we have.

You saw the excitement in the minds and in the eyes and in the presentations of the people who are involved in the development of this kind of industry. They say unemployment is a separate problem. They say the effects on society are a separate problem. They will also tell you that maintaining the democratic control of the process is a separate problem. Their job is to create wealth, and they have no other job. That is the society we have, and I ask you to think about the problems that face us in the light of that.

Today one of my staff representatives called me from Hamilton about a shortage of 12 fitter welders. The company that has asked for the 12 fitter welders in Hamilton has a request for 50 fitter welders in Canada as a whole. They are asking for the opportunity to import them from Europe because they cannot get them. We have not done anything about training them, and by the time we train them they will be obsolete because a fitter welder can be put on that chip and the robot will do the welding.

It is a conundrum for which I have no simple answers, except I know that if we allow our society to grow in the direction that it will grow if we leave only the multinational corporations to handle things, there will be no such worry as human values, no such worry about unemployment or whether people should eat.

I do not know whether you noticed it or not, but the guy who is not driving that farm tractor still needs to eat. If we do not provide him with a method of doing so, he might pick up an obsolete gun and start chasing people about. I don't see how we can avoid that if we don't do something about the human problem. I put that before you because I wanted you to think about the modest proposals of the labour movement with regard to the layoffs, plant closures and shutdowns in the context of what is coming, because they are so small, so tiny.

Let me say to you that some of the presentations that have

been given to you by representatives of industry, small business, who were here the other day - I read their presentations--were childish. These things are coming and they suggest that what would drive industry away is severance pay? That's nonsense. What happened to the Swiss watch industry will happen to all of those people if they don't get moving with it. They won't be there to be driven away by severance pay or portable pensions. They will be driven out by the efficiency of the industry.

I am concerned about it because the jurisdiction of our union is basically in mining and smelting and making steel and fabrication. There are research projects already operating in all of those fields to put the chip technology to work. I would be less than a representative of the membership of our union if I was not concerned and did not raise it with you. Now I am going to be very mundane and ordinary and ask you to listen to a written preparation and it will be not much more than support for the kinds of things you may have heard before.

The United Steelworkers of America appreciate this final opportunity to present our views to your committee on the urgent problem of plant shutdowns and layoffs in Ontario. It is our view in fact that this body is perhaps the most important select committee constituted by the provincial legislature in many years, for the current shutdown crisis is nothing less than a social and economic emergency and merits treatment as such.

Our earlier representations on November 26 and December 8 of last year dealt in detail with two specific shutdown cases involving our union, the closedown of the Sleep Rock and Caland iron ore operations in Atikokan, with the gradual phase-out of Outboard Marine in Peterborough. In accordance with the committee's desire for a broader, more prescriptive approach in the second phase of your hearings, we will focus in this brief on a few of our union's legislative recommendations for the current shutdown crisis. We will also comment on some of the longer-range structural considerations which must be addressed if we are really serious about providing stable, meaningful jobs for our citizens in what promises to be a difficult future.

For our mutual convenience we have grouped our recommendations and comments under two broad categories: (1) economic protection and (2) justifications and accountability.

By now your committee is quite familiar with the general package of support legislation recommended by the labour movement as a fair and decent response to the human suffering and dislocation caused by a shutdown or layoff. As one of the largest affiliates of the Ontario Federation of Labour, our union is in full support of the federation's proposals on fringe-benefit protection, severance pay and pension security. However, we wish to place particular emphasis on a few key areas.

The committee's interim report displayed a commendable appreciation of the complex problems surrounding a worker's pension in a shutdown or layoff situation. But these problems are barely addressed by the amendments introduced in the Pension Benefits Act on December 4.

Bill 214 is in many respects a forward step, but the key issues of portability and the 45 and 10 vesting standard remain untouched. Lack of pension portability in our view amounts to a penalty on a worker who successfully finds new work after a termination but has to start over again to accumulate pension benefits. A move towards a system of full portability must be accompanied, however, by a change in the statutory vesting standard of age 45 with 10 years of service.

3:20 p.m.

The age limit should be removed, and years of service be set at no more than five for vesting purposes. Even at that I consider it to be a penalty. Why should somebody give up five years of his working life's record? But, because it would be such a great step forward, we would support that change. Such a provision would also provide some support for the worker who finds new employment in an operation without a pension plan.

Pension improvements such as these, however, should be complemented by a broader, provincially operated program of supplementary unemployment benefits. SUB clauses in private industry contracts can be among the most effective means of providing a supportive level of income protection for workers in an indefinite layoff situation. A government-run SUB program of broad-based employer participation would extend that kind of protection to all workers in the province beyond the relatively small number of local unions that have been able to negotiate SUB provisions into their contracts.

Our union wants to commend the committee for the consensus it has reached on the issue of severance pay. We trust that the apparent influence you have had on the Minister of Labour's once sceptical position on severance pay will be fully demonstrated by the legislation he has indicated will be introduced this spring. Surely the principle of severance pay at a rate of one week's pay for each year of service, considered separately and in addition to notice of termination payments, is of self-evident value.

Indeed, the cynics among us might argue that its value is best demonstrated by the opposition the idea has aroused in certain quarters. It does not surprise us that the Ontario Chamber of Commerce would devote 14 pages of their 17-page brief to an attack on severance pay. What does surprise us is the naivete of many of their arguments. The chamber's discussion of severance pay in collective bargaining implicitly suggests that any union can have severance provisions if it wants them.

Secondly, the chamber's arguments seem to suggest that collective bargaining should always take place under the assumption of impending termination. Surely that is an unrealistic attitude on both sides of the table. But to suggest that a legal labour dispute should render severance legislation inapplicable--on page 12 of their submission--or that severance pay is a disincentive to undertake job searches--page 13--is simply astounding.

Our purpose in highlighting these arguments, however, is not to take gratuitous swings at the chamber of commerce. We simply want to demonstrate that private industrial opposition to the concept of severance pay demands that it be publicly administered in the interests of all workers facing termination of whatever kind. We are very concerned about the tendency of some employers to distort the purpose of severance pay, using it in effect to compel employees to stay with the operation until long after notice of termination, even though that time could be better used by the worker to look for new employment.

The Celanese Canada shutdown announced last week in Cambridge involved this kind of severance pay program. In one view, workers must be allowed their full severance entitlement whether they stay until termination or not. Otherwise, it's a kind of bondage.

While economic support measures such as these can go a long way towards easing the burden of a layoff or shutdown on working people and their community, they must nevertheless be viewed as only one part of an overall legislative strategy to deal with our growing crisis. The central principle of such a strategy must be social accountability.

Shutdown decisions must not be permitted to take place without extensive mechanisms for community response. For example, we believe there must be at least a six-month period of notice for workers whose jobs are terminated for whatever reason. Such a notification period is of value in many ways. It allows workers and their families time to overcome the initial, sometimes acutely emotional impact of loss of a job as well as time in which to organize personal finances and to begin the process of looking for new employment.

A significant notification period also allows the union, government, industry and the affected community time to put their heads together in order to determine possible alternatives to the shutdown or at least to prepare for the impact of the shutdown on the community and its citizens.

The single most important element of an employment strategy based on social and community accountability is that of public substantiation. We concur fully with our fraternal colleagues in the labour movement who have also emphasized the importance of justification for your committee.

We believe the Ontario government must develop a mechanism through which every contemplated plant shutdown is thoroughly explained and the supposed reasons substantiated in full public view. Such an employment protection board should consist of representatives from industry, labour, government, and community and should be empowered to conduct feasibility studies and to compel the disclosure of financial and operating records of any firm contemplating shutdown.

If an impasse is reached, in which the board determines if the operation is economically viable while a company persists in its decision to close, the government must be prepared to move in

and operate the plant itself or work with employees and interested investors to put together a new entrepreneurial or management team, as we have suggested in the case of Outboard Marine, which would maintain the enterprise and preserve the workers' jobs.

We are very well aware of the complexity of the concept of public substantiation, whether it be the specific structure of the employment protection board we recommend or which precise elements or factors will make up the working definition of justification. Unless we proceed with a mandatory public mechanism our communities will continue to be shattered in the name of rationalization, more workers will be laid off at a result of market decisions made in board rooms south of the border, and Ontario's industrial capacity will be further eroded.

Private determinations of market factors that will mean the loss of Ontario jobs simply must come under public scrutiny. We cannot accept the oft-repeated lament of employers that such legislation is an unwarranted intervention in private business. Personal and financial trauma for workers; the resultant social disorders and breakdowns; the erosion of the tax base and social services in the case of a small town experiencing a shutdown; these factors alone demand some legislative substantiation procedure. When one adds to the staggering social costs the long-term economic cost of shutdowns to Ontario's industrial infrastructure, the argument in our view is sealed.

We will conclude with two additional specific recommendations and some general comments. First, the numbers game. I am sure the committee has grown weary by now of the constant disputes over the precise numbers of layoffs, permanent and temporary, that have taken place in Ontario over the past year. We don't intend to add to that dispute before you today.

However, we are very interested in the candid admission by the Minister of Labour and his associate, Mr. Ignatieff, and their representation to you last November of the inadequacy of the data collected by the ministry on layoffs. Surely one of the very first actions taken by that ministry must be an expansion and sophistication of its data collection procedures. The dispute over figures in our view only serves to obscure the deeper structural problems of unemployment in Ontario.

3:30 p.m.

For example, it is easy to forget, in the statistical data of layoffs versus jobs created, that Ontario is losing thousands of jobs just through the gradual process of attrition. In Sudbury alone, over 7,000 jobs have been lost at Inco over the last three years simply due to job openings being left unfilled. These statistics do not show up in the official layoff counts. It is clear that in order to get a firm handle on the jobs issue, the government's information-gathering and interpreting procedures must be improved.

When we use that figure, Mr. Chairman, we say to you that we had 18,000 and several hundred dues-paying members of the United Steelworkers of America in Local 6500; that is now reduced to

below 10,000. This is what we are talking about when we say that 7,000 jobs disappeared in Sudbury; that local does not exist outside of Sudbury.

Second, in the matter of social impact, as we suggested earlier the enormous human and social costs of layoffs and shutdowns demand of ourselves legislated periods of notice and justification procedures. In our view, too little analytical attention has been paid to these social costs themselves. Community impact studies should be commissioned by government immediately for a variety of areas that have experienced or are about to experience plant or mine shutdown. We need as much data as possible if we are to fashion our social support services, from psychological assistance to credit counselling, in such a way that even a small community can help its citizens weather the storm of shutdown.

Last, we conclude on a matter which is beyond the specific mandate of this committee but which must be of concern to all of you as legislators. That is the issue of Ontario's economic future.

It is easy to sound alarmist about our present situation and we are serious about the use of the word "emergency" in the opening of our brief, but United Steelworkers also has a great deal of pride and confidence in the ability of Ontario's working people and in the enormous untapped economic potential of this province. We believe it is still possible to reverse and recover from our current economic slide. It boils down to a question of political will.

Ontario's crippling trade imbalance between resource exports and manufacturing imports did not just happen. Our governments let it happen as a matter of policy. The loss of control and manoeuvrability resulting from the foreign ownership of large parts of our economy did not just happen; we invited it. Our insidious falling behind in high technology industry, even in those processes developed in Ontario, as in the case of Outboard Marine, cannot be labelled as accidental. We are letting it fall behind.

Our inaction in the past must now be replaced by concerted action in all of these areas of the Ontario economy that have grown chronically ill. That means developing tough minded but socially responsive industrial development strategy that takes advantage of Ontario's natural resource wealth and is guided by the principle of meaningful empicment for our people.

Again, it is a question of political will. Our union hopes that this committee will at least take the first step and propose legislation consistent with the principles of economic support and social accountability as outlined in this paper, all of which is respectfully submitted.

Mr. Williams: Mr. Chairman, I listened with interest to this presentation. I am not going to deal with specific points raised in your paper. I think you put forward a thoughtful paper; it addresses the concern that we all have. I do not know that I necessarily agree with some of the solutions you put forward. I am

not going to argue those points with you; I am going to come back to the broader issue that you are addressing with regard to your film.

I would like you to share with me your comments after I have given you my observations. I am going to talk a bit about the past, the present and the future. I want to take you back to a period of time about 10 years ago. I had the privilege of attending an international conference at which a number of the keynote speakers foresaw that indeed the movement of our society was such that, in a nutshell, by the end of the century and certainly by the year 2025--there was inclusive evidence even at that time--it would be a universally accepted situation that 20 per cent of the labour force, or 20 per cent of the populace would be the labour force throughout the world and 80 per cent of the people would never have occasion to seek or experience gainful employment in the context in which society today does.

This is regardless of union or non-union situations. It is through the technological automation factors to which your film addresses itself and the "advances" that are being made--and I have used the term "advances" in quotes because I do not know whether it is going to destroy society or help to improve upon it as it is today.

But no matter what efforts are made to prevent this from happening, these experts predicted that this was inevitable, that eventually the work force today will no longer be as big a factor in providing for the needs of all the people. They stressed, without in any way downgrading the standards of living that society enjoys--at least certainly within the industrial societies of the world, North America and the European market areas--the biggest problem that would be confronting government in serving people around the world by the end of the century would be to address itself to the problem and provide solutions with regard to directing society at large to gainful leisure-time activities.

I have spoken of this in other committees and in the House on other occasions; but I always recall this conference, which as I say was over a decade ago, at which they were making these predictions. Many of them have come to pass, not because of the immediate experience we are having--which greatly aggravates the situation and perhaps is showing a bit more of the tip of the iceberg because of the downturn in our economy. I think even if we had been going full tilt, these experiences are growing and multiplying and compounding themselves, and will continue to do so even if our economy picks up and we go full tilt to the end of the century. I do not think you will see any reversal of that trend, as addressed in the film.

It seems to me, therefore, that one of the biggest problems addressing governments is how they can assist society in restructuring itself sociologically to meet this challenge, so that people who are born into this world may live a meaningful life without ever having to go to the work place; and not in the sense of being a drag on the society but fulfilling a useful role in society, even though it is in a role of active leisure-time activity.

I am sure that your people, as well, have recognized and understood this problem. I do not think any one union or number of unions or whatever, or society as a whole, is going to reverse this trend. If you are led to believe even partially what these experts have been telling us--and this goes back a number of years--if you feel there is any credence to that at all--and I am inclined to accept some of the things these experts told us at this international conference--how do you reverse that trend?

If you cannot reverse it, if you agree that in fact you cannot turn it around, is there not an obligation on government to try to find the alternatives to meeting this new social condition, as I have indicated, or as they have indicated? The fact that a majority of the people would never be gainfully employed would not necessarily mean a degradation of the standards in our society, but rather a complete social restructuring. Would you care to comment on those observations?

3:40 p.m.

Mr. S. Cooke: First of all, let me say that as one member of the labour movement I am not in any way going to try to change the direction, because I recognize that would be futile and it would be impossible. We do not have the kind of control, the kind of influence, and we do not have the kind of unanimity in our role that we could ever try for consensus in that direction. What you have to do is recognize that is a fact of life. I do not take the view that it would be by 2025 or even the year 2000; I think we are now into the beginning of a very rapidly changing society.

I pointed out to you that the technology here is four years old, and I think if you were to ask the people who are involved they would tell you they have more than doubled their knowledge about the use of that technology and have created twice as much more in the last four years. The applications are much wider. I do not have any doubt about the speed at which it is going.

Like you, I had the opportunity of being involved in, and I guess organizing with a friend of mine who happens to be on your committee, a conference some 20 years ago where we had the most knowledgeable people available at that time from across Canada. Some of them were international experts, some of them involved in the business of creating the first computers and the software knowledge that they talked about in Britain.

There was real brain export; we brought the guy over here and he stayed here. He is still fairly controversial; he was making noises the other day. These people told us then where we were headed--and he was more accurate than your guy because he said we were going to get there in the 1980s and that is where we are going to be, and he is still saying it.

I do not have any desire to change the direction of the production of wealth. I would like to have this process, though, the legislative process, have a lot more to say about the distribution of that wealth and the control of what it is about to do.

The unfortunate thing is that we are just letting an ancient Adam Smith philosophy, that is no longer applicable with these kinds of tools in our society, still control our world. There is no way that in the corporate burden the people there, as decent people as they can be, are allowed by the rules of our economic society to worry about such things as layoffs.

I heard a corporation yesterday--and it is Canadian Appliance Manufacturing Company I am talking about--describing to me and their workers the takeover of the operation by Canadian General Electric from the GSW share transfer. I heard them say: "The rationalization process is not done. We have this tremendous technology from abroad, both Japan and the United States, to compete with, and we will fight to sustain this company." That was in answer to, "Will our jobs be there?"--questions of local union presidents from London and Toronto asking these people, "Will our jobs be there?"

We will have more meetings with them, but I can tell you they are driven to make the decisions they have to make with the economic rules that are there and unless they are modified by the legislative process, the problems for the legislature will grow. There will not be a place for people to have the leisure you are talking about, because to have leisure one must have some comfort and that is not being provided. The distribution of the wealth that is being created is not being looked at in the sense it has to be looked at.

These are just small beginnings, these proposals we have made, in the direction in which we need to go. I frankly think we need to have a whole lot of joint ventures where the government sits and knows and has some say in and control over what is happening, because it is only government that represents the people's interests. Those corporations only look at people either as customers or as tools in the process. They have to. I am not arguing that. With our society's rules that is their job. But, by God, we have ours, and if we do not do ours then we surrender to them. This is where our problem is.

It is not the nice people we each know running the plants and factories and industries in our communities. They are not the folks who have control. It is the guys around that money exchange floor who operate it and they have to make their plays with that stuff because it is power. It has naught to do with the MacNamara's from Sault Ste. Marie or any of these people we know who run industry.

The steel industry in this country is run by men I know very well, but they do not make the determinations about where money will go, what technology will be purchased and what is going to happen to it. They make proposals to these people and they are accepted or rejected. We have created all kinds of things: Noranda, CPI, our banking system, investing money all over the place, Inco, world corporations. They have a different set of standards than I like to see applied.

Mr. Williams: Thank you for sharing your thoughts with me on that broader issue.

Mr. Martel: I have something on that very question. What bothered me as I viewed part of the film was the fundamental question: What are people going to do? I was intrigued by the president who said that there were two distinct problems, one being the production and the creation of wealth. Then the state can look after the other. That in fact is what is going to happen. The state is going to be responsible for income maintenance of some description. It was amazing how cavalierly this individual separated the two.

If we continue along the route of a million unemployed in Ontario and if Canada continues to insist on technological change, what the hell is the answer? Where is people's income going to come from? What are they going to do with their time? My friend talks about leisure time. They will have all day to have leisure time because they are not going to be employed. I am not sure what happens to a society where that occurs. We hear now about the welfare bum who does not want to work, although he really does not exist.

Mr. Williams: That is the big challenge.

Mr. Martel: What are we going to do with them, John?

Mr. Williams: I wish we had the answer. I do not think any government really has the answer.

Mr. Martel: I do not think they are even looking at it.

Mr. Williams: Societal change is coming as inevitably as night follows day.

Mr. Martel: Because we allow it. Personally, I am not sure where the hell we are going and why we are trying to get there in such a hurry, wherever it is we are going. I am not even sure what the question is, Mr. Cooke.

3:50 p.m.

Do any of these people answer those questions, the people who are bringing about this technology which just creates massive unemployment? I think the key comes in one of the recommendations you have made and one which I and my friend from Sault Ste. Marie have been riding herd on, I guess, almost from the first day: We are going to have to find the costs. The government says the starting point in any layoff is finding out what the disruptive effects are going to be on the society. At that time and only then will we know that answer.

Are we going to be prepared to intervene if necessary, or act to create jobs? I know I could establish almost a hiring hall practice in my riding office with the number of people who are looking for jobs. I am getting kids with double masters degrees, for example, and a whole variety of degrees, let alone the unskilled workers who come in looking for jobs.

I do not know what the answer is, but certainly governments

are going to have to get a handle on it much sooner than they have done up to this time. That is just a thought, Mr. Chairman, but I do not know how we can answer that problem until we are prepared to find out what the costs are going to be.

Mr. Chairman: May I have just one quick question? Mr. Mackenzie is next on the list but I wanted to ask something on the question of your recommendation on justification and accountability that we talked about before.

Your second paragraph under that heading says, "Shutdown decisions must not be permitted to take place without extensive mechanisms for community response." Then you go into what the mechanics might actually look like, that they might be called--and I think this is a good label--something like the "employment protection board," and that there would be representatives from each of the major partners in the community.

Do you think this objective could be achieved without legislation? I have a bias in favour of doing it that way if it is at all feasible. Do you see it being achievable without legislation?

Mr. S. Cooke: Not really, because we have a problem in our society that kind of stops it. It has to do with this business of people taking advantage of their circumstances and having prior knowledge about something.

I certainly cannot imagine that some company that is going to put robots into an assembly line process would want to disclose this until after it has it all done. It would like to take advantage of the fact that it has an early start or a leaping advantage and beat its competition, as it were. In my view, that is less important, that they beat their competition, than the process of the layoffs that is going to take place.

We discussed the effects and the costs being placed out there in public so we know whether it is worth the price to shut down that particular place. I worry about that at places like Outboard Marine, for example, where the interests of the company lie in the United States. How are they going to come to you and volunteer information about shutting their place down? They are not.

Mr. Warrian: May I add to that, Mr. Chairman, an additional factor? There were in 1980 some 50,000 industrial robots operating in the world. About 40,000 of those were in Japan. That has had a major impact on the Japanese economy but I would put it to you that it is possible there because of a different industrial relations network.

Japanese paternalism may or may not be a desirable thing for us to copy, but industrial employers in Japan have been willing to make their employees lifelong commitments with respect to job and income and welfare security. I can say on the basis of our experience that it is exactly those kinds of commitments that employers in our form of collective bargaining most seek to avoid.

Some of the fallout of that is that in situations of layoff and terminations, because the employers adamantly refuse to assume that responsibility under our system, those commitments are transferred to individuals, with a resulting impact on family mortgages and other dislocations, and to the community, social services, health services and that sort of thing.

What we are building because of that fact is this conflict between community or social costs and the private bookkeeping costs as the companies construct them. Because of that conflict, which, I think, is what Mr. Cooke is talking about, it is inevitable in this context that we have legislation.

Mr. Martel: You indicated the Japanese can make lifelong commitments, and that is fine. They can phase that in over 20 or years. But, you see, in the final analysis, the question that has to be answered is, what are you going to do with people anyway?

The UTU, the United Transportation Union, in my opinion, just gave away a series of jobs. The railroad recently, in order to get senior men to take an early pension, is paying \$35,000 to \$50,000; giving the employee \$35,000 or \$40,000 or \$45,000 cash. The railroad is paying guys off at a rate of \$35,000, \$39,000, \$40,000 and \$45,000 cash to get rid of the jobs. The question arises, what do you do with the next generation?

Forgive me, but I have never forgiven the UTU for that. If they were going to have it taken away from them, I would have preferred that they fought it out at least and lost it, rather than surrender it by virtue of \$35,000 or \$40,000 settlements, to get rid of the tailend brakemen. That is what has happened. But that does not resolve anyone's dilemma because where these men have now taken pensions it would be nice to see a bunch of young people having those jobs, so that the roles of the unemployed could not continue to escalate.

If the Japanese are doing it for one generation, the question is, what happens to the next generation?

Mr. S. Cooke: Of course, that is a major social problem and it really invites a philosophical discussion of proportions that I do not think we have time for here, but I would like to suggest that the Legislature might address that in the long term.

I can think of a lot of things people might do if they had incomes that would sustain them in a fashion, rather than a job that has become obsolete. I frankly think it would be a pretty mundane thing for a young guy to have a job as a second stick, not needed, and recognize that he is not needed. That is going to turn him off just as much. He could be doing something else and having an income that he at least knows about in advance.

That requires preparation in our whole society. I think it requires preparation in our school system. It requires preparation in our home life. Also, one of the things I guess I forgot to say before in answer to the question about the one-in-five is that I do not think it necessary that it always be the same one through a whole lifetime. Some people can work certain different periods in

their lives and not necessarily have one guy work a whole lifetime and have five others do nothing. That is not any kind of a reasonable thing. I think, along with you, that work is important to people's psyches, but there is so much that exists in this problem to study.

You could put a whole raft of young people to work getting the information that is necessary to solve the social problems, and let them work at it. There is nothing really wrong with the business of trying to solve people's problems by using human beings in a productive way to do so and paying them for it, if our society will sustain the cost. It obviously is going to be able to do so because the wealth that will be created will be vast compared to what we have now. It is not a matter, really, of what we are able to afford; it is a matter of how we do it.

4 p.m.

Mr. Mackenzie: Mr. Chairman, it is difficult to ask any questions after a film like that. I recommend that those who were not able to see it should see it, because it has a lot more impact than others we have recommended like Shutdown.

There are two things I want to raise. One in particular I want to read into the record, because we have had questions asked about how we can change the kind of structure we have and if we can do it other than through government measures.

I would remind the members of this committee that we had before us this morning a very tough and very efficient company, General Motors. I have a hell of a lot of respect for it, as I have for a number of the major companies. It is doing very well and, if we read our own government reports on the auto industry, it probably is the only one that is in a position where it is reasonably certain of surviving in its industry.

If you will recall some of the questions that were asked, they said they could not understand what was the matter with the independent parts producers, and why they were not going out like they did to fight for and scramble for the markets and get the business. Yet even with that expertise and with the knowledge that a hell of a lot of the independents could not survive and were not surviving in this kind of a scramble, they made, in effect, six recommendations to us about severance pay:

"The employer-employee relationship must be severed in order to qualify for 'severance pay.'

"Minimum entrance requirements and maximum ceilings must be established; for example, one year's service to qualify and a 30-year maximum. An employee eligible for retirement would not be eligible for 'severance pay.'

"'Severance pay' should be reduced by any pay in lieu of notice, supplementary unemployment benefit or other payments receivable by the employee from the employer."

I am talking now about one of the foremost corporations in North America. That is their approach to it.

In addition: "The existing layoff notices on the statute books today strike an adequate balance between notice for a worker who is permanently laid off and the flexibility required by modern manufacturing industry to react to rapidly changing business conditions by reducing its work force through temporary layoffs."

"'Plant closure' legislation should be introduced as a separate section of the Employment Standards Act."

"'Severance pay' should be considered only in cases where the employer-employee relationship is severed."

It is one of the most efficient, capable corporations on this continent, and it has gone out and scrambled. I do not see any consideration whatsoever for the very problems we are facing here or any willingness to bend even the tiniest bit in terms of the need of employees.

I have to take issue with this government and its ministers. I was appalled when I took a look at last night's Hamilton Spectator and read a comment Mr. Grossman had made to the McMaster Faculty of business. In effect, he was criticizing the chamber of commerce and the Canadian Manufacturers' Association for not doing a more effective PR job, like the one the unions are doing, in terms of alerting the public to what was going on. He talked about his figures, I think, on three companies subpoenaed to appear before us. I am not really sure he even has that accurate.

In talking about the companies--and he is talking here of outfits like Essex, which, to the best of my knowledge, certainly made an impression on nobody with its responsibility or input; we had to get second stringers from Detroit to answer questions--he said, and I am quoting directly; I talked to the reporter who was at the meeting who told me he had his text and his off-the-cuff remarks and this is accurate--"Once the companies did appear, they made a convincing presentation that they did care about the workers and they were not guided by a rigid allegiance to only profits," said Mr. Grossman." That is absolutely not true. I do not know whether he has been getting false information or whether that is deliberate.

I would also point out to you that apart from some of the lousy examples we had before us--and I think this should be taken back to Mr. Grossman by members of this committee--we had Mr. Smith, the president of Bendix, before us. He told us plainly, bluntly, clearly--I did not particularly like his philosophy but he was one of the more honest witnesses we had, and he was president of the Canadian corporation--that he thought they could make even more money than they were making, that they had a viable financial operation and that they had refurbished the plant, but he was given two weeks' notice by the American company to tell why the Canadian operation, with all those workers at Bendix, should not be shut down.

When he looked at it--and he made it very clear, and I think

we could go right back to the Hansard--the bottom line was the corporate financial viability, and he had to agree with them that, yes, no matter how well they were doing, they could make more money by transferring the full production back to the States.

Now, clearly--and that is in Hansard and on record before this committee too--that does not bear any relationship to the remarks that were put out at a fairly large business faculty meeting by the minister of this province. It adds to exactly what I think we have been saying here today. When in hell do we start dealing with these kinds of problems and dealing with them with some objectivity? That is the total and complete defence of the bloody industry and management people who have appeared before us.

I wish Mr. Williams were here because he was asking how we are going to do it. We are not going to do it with that kind of a perception by key people in this government. It is one of the reasons I wish like hell Mr. Grossman was appearing back before us tomorrow. Those are some of the things I would like to know his answers on, given his remarks to that business conference at McMaster.

I guess my own frustration shows, but if this committee is not prepared to make some major changes in the structure we have in this province then we have wasted one hell of a lot of time, whether we get a chance to report or not from this particular committee. We obviously are not going to get the reactions, even from a large successful corporation, and we are not getting any understanding of it from the minister responsible, Mr. Grossman.

I am sorry, Mr. Chairman. That is not a direct question but I think it is very germane to the question of how we deal with what is happening to our industry and our society.

Mr. S. Cooke: This, Mr. Chairman, is a major problem. I, along with others, have put forward many and varied ideas to the government about the problems of employment, the creation of employment, the retention of employment, layoffs and so on.

What we are really seeing are apologists for the employers rather than the people who are serving society, the general public. I am pretty disturbed about it. The kind of picture I brought you today shows where we are going, and if we cannot have government that serves the people, that is interested only in serving these power centres, then we are in real trouble, and there is no way that those of us who are reasonable, who want to use the democratic process, will be able to stem the tide of those who will take more radical and more destructive means to get their way. You cannot have imbalances in our society to the extent that they will come.

It is bad enough now in Canada. We talked about the standards in North America not being depleted. Hell, we have a long way to go to equalize or learn how to distribute the wealth we have without seeing that imbalance multiplied a thousandfold. That is what is going to happen unless we get government that will represent the needs of people. This is the real row we have. This

is really democracy against the power centres of wealth and technology, and it has to be that.

Mr. Chairman: Mr. Cooke, can I just for a moment go back--I am not off topic; this flows right from what you just said and from what you said earlier--to this justification for closure type of legislation?

I just indicated in passing that I had some concern with legislation in that area. I have no concern at all, frankly, with the other aspect of it, that all of the players in this equation, governments in particular, should have the right to check when a corporation, small or large, is about to close up for whatever series of reasons. The right to check seems to me eminently reasonable.

My mind goes back to one of the first committees on which I had any experience here. It was the fall of 1977 and that, Mr. Cooke, was when I first met you. Mr. Martel was on that committee too, and Mr. Mackenzie and Mr. Taylor. It was the Inco committee. I have forgotten some of the details, but I recall that the president, Mr. Carter, called Premier Davis on a Monday and said, "This afternoon we are going to announce that 2,800 employees will be laid off," and a number of things happened as a result of that phone call. Our select committee was a part of what happened.

4:10 p.m.

It was pretty clear to me as soon as we proceeded that you have to take the element of surprise out of this business. There is no place for that anymore when you are talking about hundreds and hundreds of workers and the government is informed about one minute before the press. The element of surprise has to be taken out of it. The right to check seems clear to me and fair to me because we are all in it together somehow or another.

My problem, in part, with the legislation is that I wonder if it does not send out--and I hate to be vague, but I cannot be specific--some message, some misconceptions or perceptions to investors, home-grown Canadian investors or those outside this jurisdiction, that Ontario is getting to be a harder and harder place to do business. I just do not know the answer to that.

My specific concern deals with the US multinationals. You see, sir, in the business of politics, public relations, whatever you want to call it, everybody knows damned well that people have a knee-jerk response even to the phrase "US multinational," and, if we appear to be setting a set of guidelines or laws that have as their basic intent to whack those bastards on the wrist, I wonder if we are not at the same time applying the same kinds of restrictions to our home-grown Canadian investor and, perhaps, in the process discouraging investment in a general form. I have real difficulty with that.

Mr. S. Cooke: I do not have any difficulty with that, Mr. Chairman. I want you to know that those at the centre of power who have control of the money and the technology are prepared to go where there are much tougher rules than there are here.

What we have here, unfortunately, and what discourages investment at the moment is uncertainty. If we had a set of tough rules and said, "These are the rules you are going to operate by," they could do that and would do it. They do not care, as long as they can do their thing, making money. That is really all they do. They are not interested in something else; they are interested in making money.

You get to the guys who are the operators of all of these things and, sure, they are nice guys, they are this, that and the other thing, but it is the buck. They will come and do it. Mexico is an example. The people of Mexico have to own a majority of the shares of any corporation. They are not staying out. They are going in in droves. They are leaving Canada to go there.

Mr. Mackenzie: Look at the engine plants and the automobile plants that are moving in there.

Mr. G. Taylor: Tough laws, low wages.

Mr. Mackenzie: Why weren't you here for some of the earlier presentations?

Mr. G. Taylor: You have brought them in week after week with the same story.

Interjections.

Mr. Martel: Mr. Chairman, can I just add a caveat to that? You expressed a concern about the Inco shutdown, and I appreciated it, but I watched Inco in November--

Mr. Chairman: I should never have mentioned Inco.

Mr. Martel: I am just using it as an example. Inco shut down its operations totally in Guatemala and it is paying its staff a full year's salary--not severance pay; a full year's salary. We are talking about one week's severance pay for every year of employment, but they paid everybody a whole year's salary to sit around so they would not lose them.

Mr. S. Cooke: That is because they do not want to leave Guatemala. That's why.

Mr. Martel: That's right. There is another thing when you talk about justification. Since the time I was employed by Inco I believe their lowest year of profitability was something like \$86 million, with highs in the 1970s of \$301 million. In talking about justification, one does not look at year one as today when the layoff occurs; one looks at what in hell they have taken out of an area, lo, these many years. If there are some bad corporate decisions, then obviously Inco made one of them.

You know as well as I--you were on that committee--that they were working people overtime every week and they built up their inventory until they could not finance their inventory. The question is, who then picks up the tab? Is it Inco who pays part of the tab or is it the taxpayer? In our society it always seems

it is the taxpayer, whether it be through unemployment insurance, whether it be through welfare, whether it be through relocation, whether it be a whole series of things.

You talk about justification. I think it becomes apparent that they do go to other places where the laws are stricter. They are prepared to play a vastly different game offshore than they are here in Canada. I think the costs are getting so great that we cannot afford just to let them say, "We want to take our marbles and go home."

Mr. S. Cooke: The other thing I would say to you is that they would not be frightened off even by joint ventures. That has already been shown. I think what is needed, really, is some clear, tough rules.

Mr. Warrian: I might just add, Mr. Chairman, in response to the jibe from the side about the apparent tradeoff between low wages and tough rules, that Canada in the spring of 1980, the last year available as a point for these statistics, was seventh among the OECD countries in wages. We are now with Italy. All those that are ranged above us--Belgium, Sweden, West Germany, France--have tougher rules than we have and they have higher wages. The lectures about a tradeoff between low wages and tough rules are false. They are demonstrably false and the statistics are there if you want to read them.

Mr. Mackenzie: One other thing that was of interest this morning, in response to questions from my colleague Mr. Cooke, and one of the things that I think was made very clear by the chief spokesman for General Motors, was that they had no fear at all of doing business with companies in the parts industries that are into joint ventures. He made that very clear. They do not particularly like government involvement, but when it comes to doing business they would do it in a minute.

Mr. S. Cooke: I think that is representative of industry generally. They will not invite government involvement but they certainly will not disappear.

Mr. Chairman: My last question is still in the same area. Could you make an argument, or is there an argument to be made, that governments already have the right to check, the right to monitor, the right to call for books? I do not mean our committee, I do not mean the Inco committee, but are there ample precedents for that right? Do you not think so?

Mr. S. Cooke: There is no question about that in my mind. Who issues the charters for these corporations? They exist at the pleasure of this legislature and of the federal government. They do, you know. They have no right that is not given to them here. To say to them, "What are you doing with the rights we give you as an ordinary exchange in our society?" would be to ask them something that sure as hell is asked of their workers. I will tell you. It does not take government long to ask us to account, as a union, and we do not quarrel.

When you look at the structure of our society, it just does

not ask for accountability. We have not asked for participation in that sense. We have given it away. We have said, "Here, go ahead and do it."

An organization like Inco, I know full well, would invest all of its profits in Canada if you told it it had to. It is not unhappy about that. They do not care where they make money. If they can make more somewhere else and you leave them free to do it, they will take all that wealth that comes out of our ground and move it off somewhere else to make it; but if you tell them, "Look, you invest it here or part of it here," they would. They are not unhappy about that as long as they just find a way of making money at it.

That happens in lots of countries in this world. They are just not free to do anything they want. They have some accountability to the society they are in. We are doing some of it now in a modest way in some other fields. We are saying a little about the environment. We are saying a little about that--not enough, but we are doing it. The companies are grumbling but that is all.

4:20 p.m.

Mr. Chairman: That is very good. Are there any other members of the committee with questions or comments? If not, Mr. Cooke and your colleagues, gentlemen, thank you very much for your time. As you know, it is our hope to report Thursday next, if we do in fact report.

Mr. S. Cooke: I will speak to the Premier and ask him to give you a chance.

The committee adjourned at 4:21 p.m.

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PS-21 (1981)

SELECT COMMITTEE ON PLANT SHUTDOWNS
AND EMPLOYEE ADJUSTMENT

ONTARIO MINING ASSOCIATION
BOARD OF TRADE OF METROPOLITAN TORONTO

WEDNESDAY, JANUARY 28, 1981



SELECT COMMITTEE ON PLANT SHUTDOWNS AND EMPLOYEE
ADJUSTMENT

CHAIRMAN: McCaffrey, B. (Armourdale PC)
VICE-CHAIRMAN: O'Neil, H. (Quinte L)
Cooke, D. (Windsor-Riverside NDP)
Cureatz, S. (Durham East PC)
Mackenzie, R. (Hamilton East NDP)
Mancini, R. (Essex South L)
Ramsay, R.H. (Sault Ste. Marie PC)
Taylor, G. (Simcoe Centre PC)
Turner, J. (Peterborough PC)
Van Horne, R. (London North L)
Williams, J. (Oriole PC)

Substitution:

Eakins, J. (Victoria-Haliburton L) for Mr. Van Horne

Clerk: White, G.

Researchers:

Eichmanis, J.
Jennings, R.F.

Witnesses:

From the Ontario Mining Association:
Gretton, W., Member, Labour Relations Subcommittee
Hughes, J.M., Executive Director
Keenan, J.F., Chairman, Labour Relations Subcommittee
McLean, E.A., Member, Labour Relations Subcommittee

Taylor, B.W., Mine Manager, Sherman Mine

From the Board of Trade of Metropolitan Toronto:
Coward, L.E., Director, William M. Mercer Limited
Hamilton, F.G., Barrister and Solicitor, Hicks Morley
Hamilton Stewart Storie
Herrick, J.D., Chairman of the Board, General Mills
Canada Limited
McCracken, J.S., Manager, Legal Department
Wright, W.G., Assistant General Industrial Relations
Manager, Primary Work, Stelco Incorporated

LEGISLATURE OF ONTARIO

SELECT COMMITTEE ON PLANT SHUTDOWNS AND EMPLOYEE ADJUSTMENT

WEDNESDAY, JANUARY 28, 1981

The committee met at 10:13 a.m. in committee room No. 1.

ONTARIO MINING ASSOCIATION
BOARD OF TRADE OF METROPOLITAN TORONTO

Mr. Chairman: I call the meeting to order.

Mr. O'Neil: Mr. Chairman, with regard to having the Treasurer (Mr. F. S. Miller) and the Minister of Industry and Tourism (Mr. Grossman) appear before us, we have not heard back from them yet as to what is happening or whether they will.

Mr. Chairman: Two things: the Treasurer--and I did reflect this yesterday afternoon--is in Ottawa today meeting with the Minister of Finance and he will be in Windsor or Chatham all day tomorrow. But Mr. Grossman was going to undertake to change his calendar to be able to be with us some time this afternoon. He was either going to let me know last night or this morning. All I did was just call Barb up at Bloor Street. He had not called there either. She is going to call his office now and get a note into us as soon as possible. I expect an answer on that fairly soon.

So, we can just continue on with the presentation from the Ontario Mining Association. Gentlemen, on behalf of the committee, may I formally welcome you and thank you for taking the time to come. I know that you have been aware for some weeks, if not months, about our committee's mandate. We are rapidly approaching the conclusion of our hearings, either in the form of a final report or another conclusion. We have today and tomorrow left for public submissions and we have been anxiously awaiting your comments.

I would ask you if you would be kind enough to introduce yourselves into the microphone, just for the record, and then begin. We have copies of your brief--the members do. As you know, there will be time for questions after.

Mr. Hughes: Thank you, Mr. Chairman and members of the select committee. In accordance with the chairman's request, I would like to introduce the subcommittee members of the labour relations committee of the Ontario Mining Association, not in any particular order. On my far right, Mr. Gretton; next to him, Mr. Keenan, and on my left, Ed McLean.

With your permission, I had proposed to start at page one of the brief, which actually forms an introduction, and read to about page six, and then I would ask Mr. Keenan, who has been chairing our subcommittee, to take the brief from there on. May I proceed within those terms of reference?

Mr. Chairman: Please do.

Mr. Hughes: Thank you.

The Ontario Mining Association, whose membership is composed of 32 operating mining companies employing approximately 36,000 employees, welcomes this opportunity to appear before this committee to give you its thoughts with regard to the problems with which the committee is grappling. The association would commend the select committee for attempting to address the problems and develop recommendations in such a expeditious fashion. However, we doubt that the problems confronting the committee have any simple or expedient solution.

The mining industry in Ontario is indeed fortunate at this time in that it is not undergoing the major dislocation seen in the manufacturing sector in this province; a dislocation which it is believed is not temporary, and which could have a significant effect on the type of manufacturing industry this province will have in the future. Manufacturing in this province is and will in the future be undergoing a technological revolution. Stagnant industries will fall by the wayside in favour of new technology or "sunrise" industries. The manner in which such a change is carried out is of concern to all industries in this province.

A good part of the mining industry's buoyancy at this time is due to several factors. The two major factors are improved technology and world marketing. In the technological field, the Canadian mining industry has developed various mining and processing methods which make the industry one of the world leaders. Patents and processes developed in Canada are in use throughout the world.

While several of the mining association's member companies have research and development facilities, it is impossible to give this committee a precise cost of research and development that is done due to the fact that many of the innovations in the mining industry are not necessarily the result of work done entirely in research and development laboratories. New mining and milling techniques are often developed or refined in the actual mining process and, therefore, such research and development costs are included in the actual production or operating costs.

World marketing is a double-edged sword. It provides the demand needed to sustain Canadian mining operations but it effectively precludes the industry from having price assuredness. Prices are set by world demand and supply. The industry, while cyclical in nature, is not totally dependent on domestic demand; and, for example, if one looks at the automobile of today, this is indeed fortunate. Today's car is lighter and more fuel efficient than it was in the past, but this has been done by the replacement of steel, copper, lead and zinc components with such things as plastics, fibreglass, rubber and even cardboard.

World marketing has positive advantages for the Ontario and Canadian economies in terms of foreign exchange and continual operation of Canadian mines, but other nations are also developing their resources. For example, in nickel production in 1950 there were only three firms in the industry--Inco, Falconbridge and Societe le Nickel--and Canada's sulphide ores accounted for 95 per

cent of the non-Communist world's nickel production. Today, Canada's ores account for closer to 35 per cent and the metal is mined, processed or refined by about 33 producers in 18 western nations, and in addition, by at least seven Communist-bloc countries.

10:20 a.m.

While the mining industry in Ontario must compete on a worldwide basis, the industry is distinctively Canadian with approximately 72 per cent of the ownership being Canadian. Head offices are located in Canada and, by and large, decisions are made in Canada. If one were to look at the seven major mining companies in Ontario which employ approximately 86 per cent of the work force in the industry, one would find that five chairmen of the boards are Canadian, six presidents are Canadian and 73 of the 98 directors are Canadian.

In 1980 and 1981, capital expenditures in Canada are expected to exceed \$400 million. In 1979, the seven major companies paid wages and salaries in excess of \$1.6 billion. In 1979, these companies paid federal and provincial tax and mining tax in excess of \$709 million. Dividends at this time paid by these companies were in excess of \$250 million.

A review of the transcripts of this committee's hearings indicates a common thought from all parties be they union, industry or government in that what is needed are jobs, retraining and relocation--in short, better manpower training and planning. In this area, the mining industry has implemented two key programs--modular training and a national job bank inventory.

The modular training system was developed by a tripartite committee several years ago. At present, a basic or "common core" program is in place and additional specialty modules are being prepared to cover other mining skills. The purpose of the programs is to allow persons with no previous mining experience access to the industry by training them how to work safely and productively in a mining operation. To date, approximately 4,000 employees have completed the common core program. Some of these people have been individuals who have left the automotive industry. In the area of skilled trades, besides ongoing apprenticeship programs, the industry and the Ontario Mining Association have been co-operating with the Mining Association of Canada to assess future needs.

The mining industry in Ontario is also participating with the Mining Association of Canada in implementing, with the assistance and co-operation of the Canadian Department of Employment and Immigration, a mining career inventory bank that will soon come on stream. Any individual will then be able to call the Mining Association of Canada, toll free, and inquire about job openings. Information provided will include a brief job description, wage rate, location, brief description of the job, the community and its population, housing facilities and amenities, and nearest major centres.

This program will also have the flexibility so that should a mine close, then all job vacancies in the industry may be

identified so as to facilitate the relocation of employees. The mining industry has co-operated internally to a great degree in the past to facilitate such relocations with considerable success. Such co-operation is key to the area of providing employment.

Relocation can be anywhere in the country--not solely within Ontario--and this point must be remembered if the committee will be considering pension portability. Unless such legislation were reciprocal among all provincial jurisdictions, it would be of little value and the mining association would caution the committee against making major legislative proposals in this area until it has seen the report of the Haley commission.

Further, the mining association must question the necessity of such a proposal. In the mining industry, the normal type of pension covering unionized employees provides for a flat benefit of a dollar value times years of service. In the Steep Rock closure, all pensions were vested. Mr. Lamb of Steep Rock commented that a number of employees had gone to Lornex Mines in British Columbia--a company that also has a flat benefit plan. In such a case, portability would have little or no impact on total pension at retirement age.

While the mining industry in Ontario is not plagued by the problems facing other industries in Ontario with regard to closure and employee adjustment, these problems are by no means foreign to the industry and as mines run out of ore reserves, there will be future closures. But the mining industry has learned from these experiences and believes that its experiences may help the committee to understand the problems that confront a company and its employees when it does close. The mining association believes that no matter what the reason for closure, the key to a successful closure in terms of social and economic impact on the employees, the community, the government and the employer is in planning and communication with the various parties.

In its deliberations, the committee has focused on three areas of concern where new or increased legislative intervention may be considered. These are notice periods, severance pay and justification for closure. We intend to deal with these matters separately as follows. And again, Mr. Chairman, I would ask the chairman of our subcommittee to proceed from here.

Mr. Keenan: Notice of closure: The closure of a mine is not something that can be accomplished economically on short notice. Mines contain large amounts of materials and equipment, from steel rails to pumps, from miles of conductor cables to diesel engines, which need to be carefully salvaged. Mines do not suddenly run out of economic ore; mining plans are developed months or even years ahead to facilitate the extraction of the last ton of profitable material. From this it should be clear that a mine closure decision and advice of that decision is normally made well in advance of the actual closure.

Mines close for many reasons but the basic cause, even though it may not appear connected, is the exhaustion of economic ore, ore that can be mined to return an acceptable profit. Where the size of the ore body is finite, the mining company will go to

great lengths to supplement it by trying to find new ore. Mining companies spend a sizeable percentage of their net annual earnings on exploration and local exploration is often a great part of this.

Sometimes, despite the existence of economic ore, demand falls and the product is unsaleable. Generally speaking, the market for Ontario's minerals is a world market, and supply, demand and price are not in any sense within the producer's control. Where price remains at a level at which the ore is still economic, operating levels are often maintained and production stockpiled in order to continue to take advantage of economies of scale, and in order to maintain a steady employment level. Sometimes, as happened with nickel in 1978, this can backfire.

If the grade of the ore body drops or if falling world prices require an increase in the cutoff grade, a continuation of mining will create operating losses. In the short run, the industry expects to face such situations, and, in the expectation of higher prices or of a return to higher grades, will not substantially alter its operating level. In Ontario the gold price decline of 1976 is an excellent example.

However, losses cannot be sustained indefinitely and a decision to close may result. Before that happens the mine plan of operating will be adjusted to continue the life of the mine for as long as possible. Expenditures on underground development and new equipment will be suspended. Spare parts will be cannibalized to reduce maintenance costs. Overtime and overhead will be slashed, et cetera. It is a trite saying in our industry that old mines die hard, but few of us cannot tell of a mine that was officially written off years ago and is still making a go of it.

There are other reasons which cause mine closures and which, although they have the same effect, that of turning ore into waste, may not allow the same possibilities of advance notice. Such reasons as production controls, international agreements and environmental concerns are relatively rare and would, no doubt, occasion special considerations for owners and employees.

10:30 a.m.

In the above sections on why mines close we have touched briefly on the likelihood that companies will choose to operate for some period either suffering actual losses or at least with dangerously reduced or negative cash flow. This begs the question of why a corporation would choose to act in this manner. The answer is, we submit, for a complex of reasons. Some of these follow:

First, investment in employees. The value of skill, experience, loyalty and commitment is hard to measure, but it is too great to surrender unnecessarily;

Second, investment in property. A mining plant in Ontario represents an average investment of \$100 million. It costs a lot to keep it in a condition to reopen and the absence of return on

investment, in addition to the costs of maintaining the plant, may not be far off equalling the alternative cost of an operating loss;

Third, investment in the local community. Many mining communities are inextricably linked with the mine and the work. Damage to the spirit and morale of the community is reflected in the morale and esprit de corps of the employees;

Fourth, investment in market. Trading in a world market requires the ability to deliver in the promised quantities on the promised dates, come famine or glut, come high prices or fire sale conditions;

The fifth reason a mine might continue open in those circumstances is public opinion. The mining industry is proud of its role in the creation of a prosperous province and nation, but its image has long been perceived in terms of nineteenth-century lithographs of young children in European coal mines. This affects the industry's attraction as an employer. One way to counter this is to maintain regular employment at attractive wages.

However, at some stage the losses or the prospect of losses may prompt the decision to terminate operations. This decision may result in the dislocation of families; emotional stress is a possibility; financial concerns could become a factor, et cetera. All of these very real problems could be eradicated by reversing the decision. The mine could be operated at a loss, ultimately subsidized by the general population. It could be operated by the gradual depletion of the company's treasury until it is finished and the subsidies start. It could, in fact, become a consumer of wealth instead of a producer of wealth.

The Mining Association of Ontario is concerned as to the impact of any legislative proposals that might come from this committee and could serve as a disincentive to investment or continued operation in this province. The legislation in Ontario with regards to notice is by and large in excess of that in most jurisdictions which compete for jobs with Ontario operations. Given that the mining industry must locate where the ore is, there might be a natural presumption that legislative provisions would have little effect. But this is not necessarily the case.

If there is an ore body in Ontario and an ore body in another jurisdiction, then the legislative provisions and the cost thereof in both jurisdictions are taken into consideration by a company when it makes a determination as to which project to commence. The costs of severance pay, notice provisions or justification of a plant closure will not necessarily be the key factors in determining whether a mining company will invest in an operation. But they will be the additional factors which will be taken into consideration and which will undoubtedly have an impact upon the anticipated return on investment.

Notice provisions are not though, the major concern to the Mining Association as the industry is generally able to forecast when it will run out of reserves. The Mining Association would encourage employers to give better notice and reasons for closures. The Mining Association believes that the current notice

provisions are sufficient but that the problem is not so much with regard to the notice provision itself, as it is with regard to the manner in which employers have or have not notified employees of the reasons for closures.

The Kelvinator study which has been referred to before this committee on several previous occasions and which was done a number of years ago indicates that the notice period gives employees a better chance to find a job. But one must weigh this benefit against the detriment of expanding those time periods in the case of easily placed employees, for example, tradesmen and skilled employees who could leave earlier and by their loss accelerate a closure. By and large it is the easily placed, skilled employees and trades people who are important in the winding down of an operation who are most likely to leave early. It is believed that the current notice periods are probably sufficient but the real problem is in the assistance and counselling of employees who are terminated as to the problems of job placement and job search.

We now deal with the question of severance pay: The Ontario Mining Association submits that any proposed legislative changes with regard to severance pay should provide only basic severance pay and that such legislation should be open to be superseded by any provisions negotiated between the parties to a collective agreement.

A brief review of the transcripts of your hearings indicates to us that some unions, some members of the committee and some employees and employers believe that severance pay is nothing more than a Band-Aid approach. The mining association strongly agrees with this view. Severance pay does little for a person who is terminated in a closure. It has some small benefit, certainly, but it is suspected that that benefit is more psychological than economic. The money a person might receive as a result of severance will do little to help the person who is out of a job.

It is not often that an employer's organization has the opportunity to agree with a previous speaker representing a trade union; but we wholeheartedly support the comments of one of your earlier witnesses, Mr. Clark of the textile workers' union, who said: "We have to have jobs. You can assist all you want; we will have a depression again. We have to have employment in this province. There is no substitute. You cannot hand out money willy nilly, whether it be provincial or federal money. We are going broke."

While the mining association submits that job creation is the key issue, it does not entirely dismiss the need for basic severance pay. But the key word is "basic." There are some concerns over the broad proposal contained in the committee's interim report on this matter.

There is a concern that severance pay could become cost prohibitive, particularly in initial funding of such severance funds. Several weeks ago Arrowhead Metals appeared before this committee and explained how the company had been acquired from Anaconda. If, at the time of acquisition, the government had

before it the proposal on severance pay that is before it today, we have to wonder if Arrowhead would have bought the company knowing that a massive unfunded liability for severance pay would exist for past service and that a future cost liability would be accruing.

The same concern is legitimate when posed about another company which appeared before this committee, the Heintzman Piano Company. The question there is whether its creditors would be willing to take a further risk with such an organization in the light of large unfunded liabilities for severance and accruing future service liabilities.

In some ways it is unfortunate that this committee has concentrated on large multinational companies, companies that are rationalizing for various reasons and companies which could afford severance pay. That perspective does not take into consideration those thousands of small-employer, single-plant situations which make up a great part of this province's economy and which could be seriously jeopardized by such a proposal. Knowing that severance pay is going to be a continuing liability, one must question whether some small businesses are going to remain in business through one, two or three years of losses or minimal earnings in the hope that things will improve.

10:40 a.m.

Severance pay is an ongoing and increasing cost and it is of questionable value in creating jobs. The mining association submits that any proposal be for minimal severance pay and that such legislation have provisions which would exempt parties to a collective agreement that contains a severance pay clause. In those cases where there is no such clause in a collective agreement, or no union, it is submitted that possibly the government should consider broadening the mandate of Mr. Joyce to provide him with the authority to recommend severance agreements within certain limits.

The mining association submits that if there is to be severance pay legislation it should only be provided in the case of a closure, but the mining association is concerned with the definition of a closure. Our industry is highly capital intensive and, therefore, attempts to use its surface facilities as long as possible. Often this will mean moving the actual mine working as one ore body runs out. For example, a man might work at X mine for five years, and when that ore body is worked out, be moved to Y mine owned by the same company but which is 10 miles away.

The first mine did cease operations, but the individual was transferred to the second mine with no loss in pension credits, vacation entitlement or seniority, which in the longer term could be a greater loss than any severance pay could provide for. The same situation could exist where a manufacturing operation is shut down and employees are transferred to a new facility. Therefore, the mining association would not agree that such situations are closures.

Eligibility for severance pay is also a concern. Various

social scientists refer to a property right in a job. This concept is foreign in today's employee-employer relationships, which are based on a contractual relationship and, therefore, this concept is somewhat difficult to visualize unless one looks at it by way of analogy. That is, it could be likened to a person who is buying a home and has a mortgage. At first the monthly payments contribute little to the equity in the home.

In the same fashion our association feels that in the early years of employment the employee has little at stake and no great attachment to his job. Therefore, the mining association submits that any legislative proposal with regard to eligibility for severance pay requires that an employee have five years of continuous employment with the company before he becomes eligible for such severance pay.

We believe that severance pay legislation could serve as a disincentive to investment in this province and will later in this submission suggest the reasons for our concern. But, if there were a five-year eligibility period on severance pay, the disincentive could be reduced somewhat. A new enterprise could start up and attempt to make a success of itself.

In those first years of operation, cash flow is as much of a concern as profitability. Cash flow would be particularly reduced by the need to fund a severance pay plan, not to mention the reduction in profits which could preclude further growth and expansion or even the continued existence of the enterprise. Effectively, a five-year minimum service requirement would lessen somewhat any economic disincentive to investment in the province.

The mining association also believes that there should be a 15-week ceiling on the entitlement to severance pay. The reason for suggesting this is to add some economic certainty. Given that severance pay is seen as nothing more a Band-Aid, then it is important that some certainty be injected into the system so that severance pay does not become a disincentive to investment or continuation of operations in this province.

In a well-researched and prepared brief to this committee, Mr. Robert White, the Canadian director of the UAW, addressed the issue of whether or not legislation would scare away new investment, and he suggests that that argument is used without merit, as it has been when other costs were legislated upon employers. But the mining association would point out that the severance pay proposal put forward by this committee is somewhat different than unemployment insurance or public pensions or regulations regarding private pensions, health and safety legislation or pollution standards.

Unemployment insurance is in place in both Canada and the US. Public pensions are in place in both Canada and the US, and the same is true of pension regulations, health and safety standards, pollution control, et cetera.

Those pieces of legislation were being drafted, debated and passed in various jurisdictions within relatively similar time frames, and today have an almost universal application in the

various jurisdictions in which employers would consider investing. But the proposal for severance pay by this committee stands out. It is not considered necessary at this time by other jurisdictions which compete with Ontario for investment. Severance pay will be looked at by the investor as an additional cost when comparing jurisdictions in which to invest, and it could be the cost that tips the scale in favour of another jurisdiction.

It is important that there be a balancing between those instances where severance pay is needed and the economic detriment which it might cause. In this fashion, it is submitted that any legislative proposals dealing with severance pay should preclude entitlement to severance pay to a person who could go to another job in the same general area in the same or similar industry and for comparable wages.

If the key to the economic success of this province is full employment, then there should be nothing that could serve as a disincentive to taking another job that meets the criteria set out above. It is realized that such a proposal at this time might appear to be somewhat incongruous given the high rate of unemployment in the province, but the time will come when the reverse could be the case. It is hoped that this committee will have the foresight to take this into consideration.

With the same foresight, the mining association submits that any severance pay legislation should exclude an employee when he quits his employment while a job is still available, unless it is done with the agreement of the employer. This is of particular concern to our industry. As has already been mentioned, there is considerable notice of a mine closure which gives employees a greater opportunity to seek new employment.

Further, as has already been pointed out, when a mine closes, not every employee is terminated on the same day. Some employees are required for longer periods to close the operation. If key skilled employees who are not easily replaced leave early, it jeopardizes orderly closure and the employment of others. If there are massive layoffs and high unemployment, this is not as much of a problem, but in other circumstances it is a major problem.

The mining industry has co-operated, though, to attempt to avoid this situation. For example, in a recent mine closure, the company involved--the Agnew Lake Mines at Espanola--invited other area mining companies to visit the property and interview prospective candidates. The interviewing company held jobs for those employees until their employment with the closing mine was completed.

The third issue we wish to address is the question of justification for closure. The problems associated with the closure can, as we shall submit later, be ameliorated by constructive programs involving employers and employees. But, suppose that the decision to close was overruled. What would be the result for the province?

We believe that the mining industry is singularly able to

answer that question. We mine a depleting resource. The day that a mine opens brings it a day closer to its closure. The business of mining is one of challenge, the challenge of continuing in business. As a mining company generates wealth from its ore body, it reinvests a substantial part of that wealth in exploration for new ore bodies and in the development of new techniques and methods to exploit the original ore body more efficiently. This investment creates new jobs and sustains existing jobs.

Sometimes the discovery of a new ore body requires relocation of employees, if the original mine closes. We deal with that and similar problems later in this submission, and we see no substantial differences between that situation and the relocation of manufacturing opportunities. But, to return to our question, what would be the result for Ontario if uneconomic operations were subsidized to remain open?

In our industry, it would mean that the funds used to create new jobs and to expand the productivity of existing jobs would be used to maintain existing jobs only and that process of short-term gain for long-term pain would result in the slow, sure strangulation of the province's economy and its ability to create jobs for its citizens.

While the Ontario Mining Association believes that an employer has a responsibility to explain to his employees, and to some extent the community in which he operates, the reasons for the closure, the association is opposed to any form of justification by which a company would have to seek approval to close. Nor does the mining association believe that any such form of justification would prevent any significant number of closures.

The reasons for closing an operation can be many, but they fall under the generic term of economic. These include: no demand for the product; cannot compete with prices of foreign imports which are below manufacturing cost; bankruptcy; receivership; a change in technology and changes in tariffs, whether they be used as a protection from imports or barrier to exports; no more product to produce; and finally, decreased return on investment.

The association emphasizes that it is not improper or immoral to make a profit or to cease operations where profit levels have fallen below those which are acceptable. Profits or retained earnings are what companies use to generate new capital projects, which create new jobs. Retained earnings or profits are particularly important in current times when interest rates are so high and the cost of borrowing becomes prohibitive.

The mining association has major philosophical problems with the concept of justification for closing. Effectively it is seen as changing the rules in the middle of the game.

Often, when a company is considering starting up a new operation, it will be sought out by local, provincial and federal politicians, not to mention various other interest groups, who will want to know what the company's intentions are. As the lawmakers of this province, the members of your committee are undoubtedly aware of the morass of regulations with which an

employer must comply before commencing a mining operation, and this is exacerbated by municipal bylaws and federal regulations. If a company can satisfy its investors and the lending institutions; satisfy provincial, federal and municipal regulations; satisfy interest groups; and find a work force, it can go ahead and establish its operations.

When that company commences operations, it is not uncommon for the local mayor, MPP or MP to appear for the ribbon-cutting ceremonies, shake hands with the management of the company and congratulate the company for starting up an industry in his constituency. But during that whole process of getting regulatory approval and building the enterprise, did anyone ever ask the company what it expected as a return on investment; or whether or not the market might not be glutted; or whether or not it had the technological or managerial skills necessary; or what they would do if tariffs were reduced; or whether they would rationalize their production back to parent plants in other countries if excess capacity developed? The answer is no, those questions are generally not asked.

Employers believe there is a contractual relationship between themselves and their employees on the basis of wages for service; between themselves and the community on the basis of taxes for services. If an employee finds another job more to his liking or that pays him more, he simply leaves, often with no notice, regardless of the costs the employer has invested in him to give him a skill. He is not asked to justify his leaving.

The mining association believes that the best forum is consultation with the employees, community and the government, but that the final decision must be the company's. Further, the association seriously questions the effect of justification in preventing closures given today's economic situation.

For example, many plants have excess capacity today and cannot sell what they are producing. Very few companies have unique products and so they have product competition. As the company publicizes intent to close, or if it were required to justify its intent to close, it could easily be visualized that customers would immediately commence to seek alternate suppliers.

If public justification were required and a company could not meet the justification at that time and as such was not allowed to close, it would not be too impossible to visualize or anticipate a situation whereby in the next year that company's loss position would certainly justify its closing as customers and employees leave to seek other suppliers and jobs. The result would be to drive almost bankrupt companies into bankruptcy.

Much of the problem that is facing Ontario today is as a result of rationalization and, as such, that has become a dirty word. But we note in the debate on the interim report that the chairman of the committee, quoted a comment from the Ontario Federation of Labour submission which said that within this province some companies must rationalize their products.

With regard to the area of justification, the mining

association visualizes again part of the problem in tackling this issue has been that this committee has concentrated on multinational corporations. It would appear that there has been very little consideration of those single employer operations and single plant situations which are the general rule within this province. You must pose the question as to how a family-run business could be precluded from closing because the family has grown so old, or died, and there are no heirs to continue the operation, or that the owner of the company has worked continuously, long and hard, to develop a business which he now wishes to step out of so that he may enjoy his own retirement but he cannot sell the business.

Another concern that the mining association has with regard to justification is that it is believed that employees would start jumping ship knowing that the inevitable result would be a closure. One must question whether or not legislation could be enacted which would state that an employee must stay at the job and that the union must co-operate.

In the above three sections we have discussed the areas of concern which have been identified by your committee. We now propose to draw upon the experience of our industry to demonstrate to you our belief that legislated or imposed benefits may bring short-term relief to the symptoms associated with a plant closure but do little to address the underlying problems.

As we have discussed above, the mining industry usually has some reasonable period of advanced notice of the closure of a mine. Even where sudden changes of conditions occur, which require an early suspension of operations, there is always a considerable amount of work required to secure the property, place equipment on standby and salvage surplus material.

Recent years have witnessed an increasing concentration of the industry either into larger single-unit mines or multi-unit mining companies. The increasing sophistication of these organizations has meant that operating plans have been developed which cover one to five-year periods. Thus, when the possibility of future closure becomes a factor of the planning exercise, early attention can be paid to procedures and effects.

It is clearly recognized that an efficient, economic and satisfactory closure requires the continued support of the employees, and to this end it is important to dispel rumour and to encourage continued employment. In this industry we have found it to be of great importance to keep employees and their unions, where applicable, informed of company plans. This information and involvement is also extended to local communities and to the appropriate provincial and federal agencies.

Early discussion of the plans and their potential impact allows all concerned to meet and, where necessary, make satisfactory arrangements for closure procedures: sale of property to employees or community, counselling, job retraining, relocation, transfer, severance, and so on, as necessary. Your committee has already reviewed a recent example of this approach: Steep Rock Iron Mines. The Atikokan Story, by Bob Michels of the

Quetico Centre in which the Caland closure is described, and the document, Planning for Caland's Termination, December 1, 1980, provide further assistance. We do have one copy of these documents here, and perhaps could obtain copies or at least could direct the committee to the authors if that is necessary.

11 a.m.

Many of our member companies have been involved in mine closures and, while their experiences and their approaches are not uniform, we believe that it is safe to say that they have practised some or all of the steps listed above as well as providing for portability of pensions and other benefits between related companies. One factor which cannot be ignored is the reluctance which is usually encountered between locals of the same union to encourage transfer or relocation through recognition of seniority or allied rights.

The experience of this industry in fashioning suitable policies and negotiating satisfactory arrangements with its unions in order to ameliorate the effects of closures on employees and communities convinces us that the approach taken by the government in establishing a co-ordinating vehicle under the direction of Mr. R. D. Joyce is a sound step. We have learned that if the closure of a mine is to produce beneficial results for all concerned, including the people of the province, through a favourable investment climate, that those concerned must work together to fashion programs which will meet the particular needs of those affected.

Among the programs which have been developed in our industry or which we believe would be appropriate are:

1. Retraining programs if jobs are available in the area and employees wish to remain in that area;
2. Relocation assistance to areas where jobs are available for which employees are qualified;
3. Counselling services for those who wish to pursue a new career;
4. New or improved roads or commuter services where alternative employment is available within commuting distance;
5. Programs to encourage new industries to locate in the area provided they will be self-supporting;
6. Education grants for those who wish to pursue further education.

We believe that restorative measures such as those outlined above are required. We stress again that life-support measures such as subsidized operation are completely prejudicial to the province's interests.

The mining industry is also mindful of and makes use of the various governmental programs which supplement, interface, or even

form a major part of closure arrangements. Under the aegis of the Department of Employment and Immigration, joint programs are developed with our unions and employees through manpower adjustment committees. Additional and key programs of assistance for individual employees include retraining allowances, exploratory grants, relocation assistance, career counselling and, of immense financial support, the unemployment insurance.

In the review of some of the transcripts of previous hearings of this committee, the mining association has noted a concern not only for the employees involved but also for the impact on the community when the major industry in a small isolated community ceases operation. While this concern is understandable, it is felt that the situation should be clarified.

In many mining communities, the employer is also the largest property holder. In many locations, the company provides housing to its employees either through rental agreements or through the sale of homes to employees. In the case of rentals, it is not uncommon in the mining community for an employee to be living in a home rented from the company at a monthly rate that is less than cost, and rents remain static for long periods of time.

In other cases, mining communities have acquired land and have serviced lots which they have sold to employees at cost so that employees may build their own homes. Elsewhere, mining companies have had homes built which they have then sold to the employees at or below cost. Further, in some cases, employees are given forgivable second mortgages by the employer which the employee may then use as a down payment, which gives the employee the ability to own his own home without any outlay of his own money.

Other employers have entered into arrangements whereby the employer buys down or subsidizes employees' first mortgages. For example, the employee may have bought a home five years ago when the mortgage was at 10 per cent but when the mortgage was renewed at the end of a five-year period, the interest rate was 15 per cent; the employer, in that case, would pay the difference in interest cost.

It is appreciated that there is some concern that, when a mine in a small community closes, employees might have to give up their homes. It is hoped that the above examples of housing assistance programs will place those concerns in a proper perspective. In addition, some mining companies that have sold homes to employees have buy-back arrangements such that when an employee leaves a community, the employer buys the home back from the employee at a negotiated rate or at a rate set by an independent appraiser.

In many instances, employers in mining communities have built community facilities such as recreation halls, golf courses, swimming pools and skating rinks. Often, such facilities are turned over to the community for the sum of a dollar. One company recently gave \$125,000 to their local community to expand a medical clinic.

In a closure, there is a need to develop a mechanism to meet the particular needs of that specific closure. It is felt that the best way that such mechanisms can be developed is by dialogue between the parties. The mining industry generally enjoys the advantage that there is a considerable notice period which allows the company and the union time to discuss various closure and termination provisions and, just as important, gives the community an opportunity to adjust for the closure.

Every closure is different; a plethora of legislative proposals cannot cover all of them, let alone even anticipate all the possibilities. Therefore, the key method would be for the parties to discuss these variables in the context of the specific circumstances which then makes the closure less painful for all concerned--the employees, the union, the community, and the employer.

Regardless of what this committee deems to be the appropriate terms of closure arrangements, they should, wherever possible, be left to the concerned parties to resolve. It is felt that if the parties can agree on satisfactory closure arrangements, then the employees would be more satisfied than they would if one were merely following some legislative requirements.

As Mr. Mackenzie said when Steep Rock representatives appeared before this committee, "As I see it, what you have done, in checking with the union, there is no question you have done a good job in terms of the conditions you had to meet in the contractual agreement and beyond."

The mining association believes that severance and pensions are best negotiated between the parties. The mining association must take some exception to the United Steelworkers' comments about pensions when they appeared before this committee during the Steep Rock study. It was at that time suggested that the union had a problem negotiating pensions and that there was not "enough sustenance to get you to pension retirement age."

We submit that any review of statistical data from the Ontario Ministry of Labour, from Statistics Canada and even from the United Steelworkers' own files would indicate that the mining industry in Ontario is one of the top-paying industries. The pension, freely negotiated between Steep Rock and the union, was \$10 per month per year of service. At the time of the Steep Rock closure, that figure exceeded national averages and approached the union's national objective.

Therefore, one of the witnesses who appeared before the committee, a man who had 14 years of service with Steep Rock and who would receive a pension of \$140 would have received an additional \$28 under the optimum Steelworkers' national policy goals at that time, goals which are subject to the give and take of free collective bargaining and, if reduced, are reduced with union agreement.

11:10 a.m.

It should be noted that the \$140 was for 14 years of

service, not for a full working career. It should be further noted that when Steep Rock closed, every pension was fully vested by the company without regard to the 10 and 45 rule under current legislation.

Our association commends the government for some of the interim provisions it has implemented or introduced in the House to meet some of the problems this province is currently facing with regard to plant closures and layoffs, particularly the provisions with regard to manpower adjustment committees becoming compulsory and the retaining of Mr. Bob Joyce as a special adviser.

The association believes that, if used properly, manpower adjustment committees are of immense assistance. As a matter of course, the mining industry now makes use of such committees.

The government's initiatives involving the appointment of Mr. Joyce are welcome for the assistance they may provide. It is believed that these initiatives will be particularly valuable to employers who are not unionized in that they will provide a forum for discussion and disclosure of information. We also reluctantly acknowledge that such initiatives might also be of some value in those unionized operations where advanced details and reasons for closure have not been particularly obvious.

A plant closure is a traumatic event for all concerned and, while the appointment of a co-ordinator will not eliminate plant closures, it is believed that if employees understand the reasons for the closure, the trauma will be reduced. Further, it is believed that manpower adjustment committees and the efforts of Mr. Joyce could help to create some innovative ways of handling closures that have to date not been considered, particularly in the areas of retraining and relocation.

In conclusion, it is understood that your committee has focused on three areas of concern which it feels it should tackle by way of legislation. Those are notice periods, severance pay and justifications for closure. These three areas are not seen by this association as really being solutions to the overall problem, which is the creation of jobs in viable industries, many of which are new technology industries. The emphasis should be on retraining, on relocation and on job creation. Further, we believe that individualized programs for plant closings are needed as no two closings will occur for the same reasons or will have the same problems.

As has been indicated, the mining industry enjoys somewhat of a luxury in that it is able, in most cases, to give advance notice of closure. The association cannot sympathize with employers who know in advance that there will be a definite closure and do not tell employees until the last moment, or do not take the time to explain the reasons for the closure. On occasion, those reasons may not be completely acceptable, but none the less the mining association believes that notice and reasons for closure should be given to employees as far in advance as possible so that those affected may work out satisfactory arrangements for the difficult transition.

The co-ordinating efforts of Mr. Joyce should help tremendously in this area. Severance pay and justification are of more concern to the mining association than are the notice provisions. With regard to severance pay, it is submitted that any proposal should be for a minimum of severance pay and that such provisions should be superseded by those negotiated between the parties.

It would be naive and irresponsible to say that a mining company would simply close down because of such legislation, but this association would caution against the costs of such proposals. Such legislation could accelerate a closure if an employer had to fund too heavily for such severance pay. This is particularly the case with small companies who might already have to borrow at high interest rates to meet even a payroll. Creditors and shareholders could bring pressure to close down an operation if costs of accumulating severance pay are too high, so that they could reinvest in more profitable jurisdictions.

The mining association does not believe that severance pay or closure justification per se is going to be a major reason why companies shut down, but severance is one of many real costs which any employer would seriously look at in deciding to locate in this province. If costs are the same or similar in two provinces, then that additional cost could very likely be the deciding factor in not locating here. This could also be even more so the case with regard to investment in the United States and other nations. While the oil industry might not be a particularly apt analogy, one only has to look at the oil rigs presently leaving Alberta to grasp the effects of adverse legislation.

Given that no other jurisdiction in North America has any legislation which requires justification approval for closure, we believe that such legislation would have a negative impact on investment in this province.

The mining association lauds the efforts of this committee to come to grips with the problems of plant closings and employee adjustment, but we would caution against too enthusiastic an embrace of Band-Aid or idealistic approaches which could seriously hamper the investment this province so badly needs to create the jobs which the citizens of the province both need and deserve.

Mr. Chairman: Mr. Keenan and gentlemen, thank you. That was an excellent presentation. Clearly you have been following our deliberations and you make references to some of the meetings that we had earlier held. Mr. Martel is the first member of the committee wishing to question you.

Mr. Martel: I am amazed. You started out painting such a magnificent picture of what the mining industry was doing and then in the three recommendations you shot it all to hell. I have heard Utopia being described, but that part on housing is absolutely devastating. Some of your justifications bother me. I think we could go at it all day. I am almost tempted to say nothing and yet--

Mr. Chairman: Carried.

Mr. Martel: --I am prompted to respond because I have some difficulty--

Mr. Turner: However, in closing.

Mr. G. Taylor: But, on second thought.

Mr. Martel: We all agree that jobs are the key to the whole problem. I was one of the ones who was criticized for having stated that severance pay is a Band-Aid, because in the final analysis what people want are jobs. But it is a much-needed Band-Aid when a worker is left without anything. I can cite examples. I am sure you have read some of my comments in the past.

Look at Atikokan or at my home town of Capreol, where National Steel walked out, having made \$6 million the year before. In Ontario we cannot even sell our own resources to the steel industry here--they prefer to buy offshore. I am wondering who is responsible when a youngster, a former student of mine, puts \$5,000 in a home, makes a year's payment--the town of Capreol had built a new subdivision, because the mining company did not bother to tell them. The decision was made in the United States in conjunction with the federal American government to close National Steel instead of Pilot Knob in Missouri, an underground operation, which is the most costly operation going.

There is no reason, you see, for us to interfere there. But I suspect there has to be, because that youngster I talked about lost his bloody shirt. And some of the houses in Capreol are still empty two years after and the municipality has to pick up the pieces.

11:20 a.m.

What do we do then? Do we say there is not supposed to be justification? I find it difficult because at this time, when you are talking about jobs, how much money are you pumping into investment in terms of exploration in Ontario? Over the last three or four years it has not been a hefty amount. I think \$27 million went into exploration in Ontario. In Saskatchewan in the same year it was \$80 million. In fact, the mining industry is exploring in the Third World. It is not really moving in the field of exploration for new resources. I suspect the amount being invested by the same companies located in Canada is much higher offshore.

Maybe we can start from there on the type of investment for exploration, Jim, that is going on in the industry to create the jobs that are necessary.

Mr. Hughes: Mr. Chairman, we prepared this brief within our interpretation of the terms of reference you outlined. I did not perceive that statistics of this nature would be required. I personally do not have these statistics and, while I realize that they are quite difficult to get, if they are relevant or essential, we could make a particular effort to ferret out these expenditures from the individual membership.

I think, Mr. Martel, you will realize that exploration is on

a country-wide basis, as well as on an international basis, and it does amount to a great deal of money. I do not know the percentage relative to net. As an example though, I did inquire of two companies--and this was some time ago--to try to get a feel of what the exploration expenditures are within the province. As you know, the amount of exploration done within a province is largely determined by the tax system in place, and we felt perhaps some thought should be given to improving that particular system. We have made briefs in this connection.

Take as an example Dome Mines. I know in 1980 they spent in Ontario \$2.6 million to try to locate new occurrences of economic interest. I had a figure, and I do not think it is confidential, from Denison as to how much money they are spending in Ontario. Again, we are a provincial association, as opposed to something other than you might perceive us to be. Denison, as an example, spent \$1.5 million in this province. But I do not have the complete picture. We could obtain this information at your request.

Mr. Martel: The reason I raised it, of course, is because it is the key to jobs. If you are going to create new jobs in the long term--as you indicate, 10 years may be needed to bring a new mine into production--it is one of the concerns, as I am sure you read when we had Atikokan before us. My concern is that when the economy turns up in this province, in the field of iron ore at least, we are not going to be in a position to respond.

I worry about that because, while we have large known reserves, little work is being done to bring them on stream because the demand is not there now. We will not be in a position in an upturn to grab a chunk of that market. What will happen, I suspect, is the steel industry will simply buy further into some of the mines in the United States that are already there to get a bigger chunk of the action.

We have Inco now dumping annually 500,000 or 600,000 tons of iron into the tailings area. A province cannot afford that sort of waste, in my opinion. Yet we are doing it. The iron thing really bothers me because we have the deposits. We are not going to be in a position to respond, I suspect. I would like to get your reaction on where we are going to go in the iron industry.

Mr. Hughes: Again, Mr. Chairman, this is one of the issues that I have not considered before, except within the general context of my responsibility. I certainly do not disagree with your assessment of the situation. When the ferrous industry improves in the States and elsewhere, certainly it is going to create demand not only for iron, but for all our non-ferrous--nickel, copper and so on--because this is what happens.

We look for improvements down the road within the mining industry. We are fortunate, however, because, as you know and you have heard presentations by the Ministry of Natural Resources, the ferrous or iron reserves of Ontario are fantastic. Some of them are contaminated, particularly in your area, with titanium. But I think these are issues that can be handled through research and development.

I would think, depending on the acceleration of the ferrous industry in the States, that there could be pressure put on this province, and other provinces, for sources. But I don't think this will happen overnight. Iron does lend itself--and this includes the deposits that have been identified in Ontario--to bulk mining methods like open pit. It is not as long a lead time as our underground operations, which are relatively foreign to iron production.

Mr. Martel: It is about four years, is it not?

Mr. Hughes: Yes, it gets into it. Well, you take as an example Detour Lake, our planning and open-pit operation. It's gold, provided they get permission and assistance and whatever is necessary to construct a road to bring in the equipment and provided planning will go on concurrently. They hope to get into production in late 1984, which is an open pit. So your four-year estimate is very close.

Mr. Martel: I guess I don't understand the world of business very well, but when I see Inco dumping that amount of iron ore annually, to me it's a bloody disgrace. We checked with a number of people. We got the feedback that certainly Inco's iron might not go into the rolling mills for (inaudible) bodies, but other than that it was first-rate. Now the ministry's response, of course, is no, that's not a correct analysis. But the people I have dealt with in Ottawa indicate that in fact outside of that, it is a viable iron ore. Yet we are watching it every day being dumped. We have no policy of utilizing resources wisely. That ultimately leads to jobs. But I just think we are going to be out of the ball park when the rise comes, because to get four years onstream, we are going to be in the short shift, I'm afraid.

Mr. Hughes: Just as a quick comment: I know the company and the government has tried to find a market both here and abroad for those pellets, but I think you would be the first one to agree with me that the chemical composition and the physical ability of pellets to meet the demands of the individual blast furnaces are becoming more and more specific. It becomes particularly so when there is an abundance or a glut of that particular product on the market. I would have to agree with you, I am disappointed that this situation is going on in Sudbury. But I don't know what the solution is, Mr. Martel. I think Inco would like to have a solution as well.

Mr. Martel: My concern is that while it was usable a year ago it is no longer usable now.

11:30 a.m.

Mr. Hughes: Well, I read your questions and the responses in Hansard, and it certainly appeared plausible to me, but I am not in a position to be for it or against.

Mr. Martel: Well, I am for it. There is a statement made on page five of your brief that I cannot understand with respect to portability. Let me quote it; it's the last sentence on the

page, "In such case portability would have little or no impact on the total pension at retirement age." If a man had eight years, let's say, as a result of the Inco layoff, three years and he was relocated; if you get \$10, let's say, per month per year of service, but you only have 20 years with the mine, unless you can take the whole thing with you, then at the age of retirement it is certainly a loss in pension, if it is not vested.

Mr. Keenan: I think that our presumption in preparing this was that on a mine closing, the experience of the members of the committee that put this submission together, was that, as happened at Steep Rock, there was full vesting.

The point that we were trying to make there was that an employee, let's say with seven years at Steep Rock, had accumulated a pension entitlement at retirement of \$70 per month, and, as it states there, a number of those employees moved to BC to work for Lornex Mine, and they took that \$70 with them. In other words, there is portability because of the nature of the flat benefit pension, provided that there is vesting.

Mr. Martel: That is the hooker, though.

Mr. Keenan: Yes. Our point to you was that generally in a mine closing, the experience from our committee is that there is vesting.

Mr. Martel: But in most of the cases we have seen before us, there has not been vesting. We have seen employees with, I guess, 20 years, who were not vested, and ended up with nothing except their contribution, if in fact they had made a contribution.

If it was via where the company paid the total amount in lieu of wages, they did not even have that to take with them. They were left with nothing. You can understand the concern that we have, at least I have and certainly my colleagues have, that everything should be vested much earlier so that you take it with you wherever you go.

I don't believe it should matter whether you leave mining and go into the pulp and paper industry, let's say, as a millwright. I don't think it should matter. He should be able to carry his portion with him. In the long run it's going to be beneficial to the employees and it's going to be beneficial to everyone. Right now there are too many who are losing everything.

Mr. Keenan: I think our concern is that the nature of the typical pension in the mining industry is a flat-rate benefit pension. Presuming that in most cases it is vested in the employee in the event of a closure, then there exists portability. What we are concerned about was in those industries where the pension is earnings-related, and where the convenience of the flat-rate benefit does not exist. Then if portability is legislated, it impacts far beyond this province. That was the point that we were addressing there. There are risks inherent in that which don't necessarily apply to our industry, but that we are aware of.

Mr. Martel: The thing that bothers me on severance pay

is that I think industry wants it both ways. It wants to force an employee to stay on the job until the plant closes, and if he leaves he should not be allowed severance pay--if he leaves before the operation shuts down. How is the employee supposed to make the adjustment? You see, that's the question for the committee.

Most of our experience is that the employees are forced to stay on, and if you are a skilled tradesman it is somewhat easier to get a job than if you are a labourer, but if you don't move when there is an opportunity to get a job, your chances of getting a job down the road are much less, particularly in today's economic circumstances.

It seems to me that the company wants it both ways. It wants to force an employee to stay there so that they can get closed down as orderly as possible. If the employee should leave ahead of time because he has other alternative employment, you're saying he is not entitled to any of that which is really a cushion to get him relocated somewhere else.

As I say, I saw in the case of National Steel where young people lost their shirts. A young student of mine lost his \$5,000, plus a year's payment of his home. He simply went down to bank and dropped the keys on the bank manager's desk. That's a severe blow to a young family man. I'm not sure if you've thought about it from their point of view, either.

Mr. McLean: Mr. Martel, it might be helpful for you to understand that in many of the cases of a mine closing, there is an incentive paid during the period of the notice of the closing. There is an economic advantage, if you will, for the employee to stay with the operation until his job winds down. There is generally attached a requirement to receive that premium or bonus so that he, in fact, does stay until his job is completed. But at the time he does leave, he enjoys that bonus to assist him in the difficulties of relocation and perhaps transition between employment opportunities.

Mr. Eakins: Even if employees are being laid off in stages? You are winding down anyway.

Mr. McLean: Yes. A closure could result in winding down in stages. As long as a person stays until his particular job is wound down or until his seniority doesn't entitle him to stay any longer, then he would get whatever he has earned by way of that bonus.

Mr. Eakins: So you are penalized if you are energetic and look ahead and get another job, as Mr. Martel has said.

Mr. McLean: It is a compromise between the needs of the employee and the needs of the company, so that there will be a work force to shut down the mine efficiently. That, of course, has an impact on other people, as we pointed out in the brief. If we cannot shut down efficiently, then we will have to let everyone go at a time when we probably could continue some employment.

Mr. Cooke: Supplementary: In your brief you say you are

afraid that severance pay will be a disincentive to work. Yet, on the other hand, you are saying that if an opportunity for a job comes along after you have given notice for your plant or mine closure, you still want the employee to pass up that opportunity for another job in order for you people to have your orderly closing. What kind of a disincentive is that for the individual to take a job? It seems to me you really do want it both ways. You don't want to pay severance pay because it is a disincentive to work. But on the other hand you want them to stick around so you can have your orderly closure, and they have to pass up job opportunities.

Mr. McLean: It doesn't happen, bang. I think, as was pointed out in the brief, many of the employers in the mining community co-operate with each other and will wait. As long as they know when they are going to get an employee, they will wait. It is not as black and white as it might appear.

Mr. Cooke: It seems to me that those two positions are rather contradictory.

Mr. Martel: The difficulty is--I've watched massive layoffs--

Mr. Turner: With all respect, that point has come up before. I don't think that anybody has said that anybody would be denied the opportunity of seeking or taking another job--

Mr. Cooke: They just have to sacrifice their severance pay.

Mr. Turner: Yes. That has been the suggestion so far. But he or she, whichever the case may be, would not need severance pay.

Mr. Martel: Well, that's not true, John. In the case--

Mr. Turner: Let's not get into that--

Mr. Martel: I think it is worth while discussing because, in fact, the young man I talked about walked away. If he got severance pay, he might be able to afford--

Interjection.

Mr. Martel: He got a job down in Nanticoke. He lost everything. That is the difficulty--for them to get re-established. By losing his house, he gets a bad credit rating. It is tough in the trenches when that occurs.

Mr. Turner: But there are many other circumstances in which the same thing could happen.

Mr. Cooke: Why should the company take its profits and run? They talk about property rights, but certainly the employee must have some right. Severance pay is not just an adjustment payment. It is also what the employee deserves because he has contributed to the profits of that mine or that company.

Mr. McLean: What we are talking about in this specific issue is this. People do have rights. We think the rights are earned progressively during the period of employment. We also think we can make the case that those rights bring with them some obligations. I could construct an example where, in an operation employing 1,000 people that is winding down over a six-month period, you could have 25 key employees leave and that would cause the operation to cease at that time, because you cannot continue without those skills and you cannot usually replace them in the circumstances.

Mr. Martel: Sure, but it is not just the skilled worker you want to retain. You want to retain them all. When Inco had its massive layoff of 2,800 men, there was no way they could commute to and from work. When you are in an isolated community in northern Ontario, it is somewhat different. Even in Toronto with its high unemployment, if you have to shut down to 300, you have a possibility of finding alternative employment without losing your home. But in the north in an isolated community--Inco laid off 2,800, Falconbridge 700 and National Steel closed a year later--the job opportunities just are not there.

You cannot commute. Some of the people who went to Nanticoke tried but they ultimately failed and part of the reason was because they could not sell their homes. Their families remained in northern Ontario, they were down in Nanticoke, and they were trying to keep two homes going.

There are very severe difficulties for the employee in these conditions, and they are not in a financial position to cope with them. They do not get the expense allowance that some of us enjoy when we are away from home. If they are away working, they have to maintain two residences. So those are real difficulties that the association has got to look at.

Mr. Keenan: Your comments and those of your associate, whose name I regret I did not catch, bolster the position we have expressed in this submission that the whole question of severance and severance pay cannot be looked at as a flat thing that should be everybody's right in accordance with their service. In fact, it has to be tailored to meet specific situations. The type of situation you are describing fits right in with our submission on that. If the heads of the operation had the ability to close it down, to preserve the largest number of jobs for the largest period of time requires that certain key employees remain. That has to be worked out with the employees and their representatives in order to come up with a satisfactory balance of interest.

Mr. Martel: But you are talking about where there is a union, where there is a little bit of power. Most of the plants in Ontario are not unionized.

Mr. Keenan: We have also seen and recognized in our submission that the measures that were introduced into the Legislature, or that were spoken of in the Legislature, before Christmas by the minister, the setting up of this co-ordinating office and the requirement that manpower committees be compulsory,

have been the vehicle in non-union situations to bring about the same results as we have generally seen in union situations.

Mr. Martel: Mr. Joyce will not be able to negotiate a severance settlement. That was not in his terms of reference and he will not be able to negotiate that with anyone. They will just tell him to go fly a kite. The second he decides he is going to try and negotiate some form of severance, they will say, "Wait a minute." Much of the research indicates that the adjustment committees have not been all that successful yet. They were in the case of Atikokan, but that was an industry that is constantly relocating.

You people have a problem with retaining skilled workers today, the mining industry per se, for a whole variety of reasons, isolation and so on. I certainly do not want to see any of my sons going into the mining industry, because of its instability. Those factors enter into it.

I have a couple more points. I do not want to take all the time of the committee. I could go at it for a couple of days if you like, but I am sure you do not want to stay.

Mr. Chairman: No, I do not want to hear it again.

Mr. Martel: You do not want to hear it again?

Mr. Chairman: No.

Mr. Turner: But you are going to.

Mr. Chairman: It is good, but I do not want to hear it again.

Mr. Martel: You do not want to have any justification and you are critical about incentives that would keep a corporation floating. I think that suggestion also came from me simply because today, in our economic situation, there are not very many jobs to relocate to. I think the case I used was Heintzman because their cash flow problem was \$1 million. The unemployment insurance roll would have cost us \$1 million in a year if that plant had closed down.

But what are the options: to try to fund it and give them an opportunity once they become solvent to purchase back, or just to let it close? The companies we looked at, outside of Armstrong Cork, which is only making a three per cent return, whether it was Bendix, SKF or--

Mr. Mancini: Heintzman was not.

Mr. Martel: No. I did not say that. I said exclusive of Heintzman. But Bendix and the other one from your area, Remo, that closed its doors, Essex, and SKF have been making money for years. They rationalize--I do not think there is any disagreement that rationalization has to occur sometimes--but I see the rationalization as occurring to maximize profit without any

concern for the municipality. Bendix in Windsor made money for 40 years and then decided to take its bat and ball and go home.

What does a community do then if you say there should be no justification? Should they not have to justify the 40 years they made profit and that they are going back to the States for 12 per cent instead of 10 per cent? What is society supposed to do, pick up the marbles all the time? That is who picks it up ultimately, you know.

Mr. Hughes: I think, again, within the presentation of the brief, we indicated that each particular closure is specific. I have no handle on the economic advantage of Bendix, as an example, whether it was moved for the purpose you indicated. But the whole intent of our brief was to try to cover the three issues, of which justification for closure is one. Our main thrust here is to encourage dialogue, openness, so that the people who are most concerned with the issues have the opportunity to resolve them before it gets too far down the pipe.

Mr. Martel: That is part of the reason many of us think there should be justification, so that there is an opportunity to determine if someone else is prepared to buy. I think the employees of Bendix wanted to buy it out and they said no--I am just going by memory now--because they really did not want the competition in Ontario when they could satisfy the market from the United States.

One of the reasons for justification is to try to ascertain if there is some way we can salvage the operation. If you do not have that sort of mechanism in there, we have found it is always a fait accompli. The company has decided it is closing its doors, it is shutting down the operation and leaving. It is too late to do anything.

Mr. Hughes: One of the reasons for that may be, as you indicated earlier, in a more densely populated centre, as opposed to mining communities that are relatively isolated, there are opportunities for people to move from one plant to another. Perhaps in this particular case they felt there would not be the same need in a community like Windsor, as opposed to what we try to do within the mining industry. We know we are remote and isolated and we do try to anticipate the problems long in advance of the closure, and we probably have a better handle on the economics of the operation than a manufacturing plant like Bendix.

11:50 a.m.

Mr. Martel: But you can see what we are attempting to do. When we talk about justification, part of the rationale for my thinking is that there may be an opportunity to salvage the industry. I do not like the idea of bailing out bankrupt companies which might be so because they have not managed their operation properly, or any number of factors. If they have to come forward, then there is an opportunity for government and labour--as in the Chrysler case, where labour was prepared to take \$750 million less in benefits--to try to salvage the operation.

But unless corporations are forced to come forward sooner and say, "Here is why we are closing down; let's look at the books; let's look at that operation; let's look at the market," our experience has been it is too late to move in then and you cannot do anything. All the window dressing we put around it is crazy.

We had a select committee over at Inco. We have all kinds of committees to save this plant and that plant. I do not know of any except the Peterborough one that has been salvaged. We have to because the social costs are so great today with plant shutdown and plant relocation that it might far outweigh whatever we have to do. It might be a lot less expensive than what is happening.

Mr. Keenan: I think, Mr. Martel, that we addressed that or tried to address it in our submission in the sense that the companies you have made reference to are the multinational companies that have operations in many countries. Our concern is that the base, the trunk and the branches of Ontario industry are being ignored, because there is so much attention paid to those cases.

The type of thing we are concerned about, in terms of justification, as we have made reference to in this submission, is that, in order to require those companies that are rationalizing to justify their position, we also have to require every home-grown company, every mom and pop company, to do the same thing. We do not feel that is going to be conducive to a healthy economy in the province. That is the point we have made.

With regard to investment by companies, such as you have mentioned, whether they want 10 per cent return or 12 per cent return, or what have you, the type of industry you are talking about is an international industry. We feel--and I think we have dealt with this in our submission--it is impossible to isolate this province or this country from the forces of economic rationalization in international scale industries. We have tried to address it. I hope, on a rereading of our submission, you will see that.

Mr. Chairman: If I may interrupt for a moment, I just wanted to do two things. Mr. Mackenzie has some questions and is on the list and he is the only other member on the committee indicating an interest in doing so. This is a long and detailed brief and nobody on this committee, least of all me, wants to restrict anybody's time.

We do have, though, the reality of another submission from the Metro Toronto board of trade.

Mr. Martel: This morning?

Mr. Chairman: Also scheduled for this morning, Elie. I want to draw that to your attention. That is a problem of timetabling we have had to live with for four or five weeks. Some of the members of that group will not be able to return at two. If it is at all possible, if we could at least start the Metro

Toronto board of trade delegation, some of them may be able to resume with us at two o'clock.

Mr. Martel: Let me just respond to that last remark though. Much of our economy, unfortunately--and that is part of the structural problem in Ontario--is multinational, probably 60 per cent in Ontario. While we looked at them, those were the ones who seemed to be flying the coop with more rapidity than others. So we had to address ourselves to that.

The property thing really intrigued me. I understand that Denison had to build a few houses, but the glowing remarks about the mining industry in terms of the homes it is building and the great economic benefits almost blew my mind, really. I cannot remember the last house that Inco built--it would be 30 years ago--or Falconbridge, or National.

Intriguingly enough, National Steel in Capreol own six homes. They were for the officials. I understand Denison has to build, simply to get people to go to Elliot Lake. But that was stretching it because the mining town per se, with large company investment, is not really in the forefront today, is it? Maybe Elliot Lake and the one up near Ignace.

Mr. Hughes: You are quite right that the mining companies have not leaned towards the provision of homes as they did previously. But notwithstanding what I have said, if you take an isolated community or a remote community like Red Lake, as an example, there is a fair and continuous amount of house building that goes on up there to accommodate the needs of the Campbell Red Lake mines. You identified Elliot Lake and I am sure Mr. McLean can respond in this area a lot better than I, but a great deal of building and a great deal of money has been spent by the companies up there, as well as the government, to provide the housing that is necessary to meet the demand of uranium production. On Elliot Lake maybe you might care to comment, Mr. McLean.

Mr. McLean: I cannot speak for Denison because I do not know the numbers as accurately as I know them for Rio Algom. Rio Algom now owns 1,500 or so individual units of accommodation, whether they are single family dwellings, town houses or apartments. All of those are offered on a rental basis at rates that are far less than the cost of carrying those properties. And between the two companies, they employ roughly 5,000 people. So it is not an insignificant task.

Mr. Martel: I indicated Elliot Lake as the exception.

Mr. McLean: But it is not an insignificant exception, Mr. Martel.

Mr. Martel: But it is not prevalent in northern Ontario any longer though.

Mr. Hughes: We have not had many new mines up there. The last mine was established by UMEX and housing was provided to accommodate the needs of that particular corporation and they have many homes up there.

Mr. Martel: I could remind you of Inco staff village in 1971-72 which was a disaster area. That was accommodation at its finest.

Mr. Chairman: If I may just--

Mr. Martel: I will pass.

Mr. Chairman: I hate to do this one more time, but there is a problem. I accept full responsibility for it. While we, as a committee did have and were aware that there were the two groups scheduled for this morning, I made the assumption, which I have made in the past, that the second group, the Metro Toronto Board, might have been able to stay over. In fact, they cannot come back at all, none of them, at two o'clock. So we have a much tighter problem than I realized. I apologize to that group and to the people before us. All we can do is try our best to hear the second delegation in the remaining time.

Mr. Mackenzie: It will only take a few minutes--four or five--to cover what I have got. I have two questions. First I would like to ask the members of the Ontario Mining Association who are here if they have any strong feelings or any belief that it would be wrong to require a Canadian industry--and I am thinking now of the steel industry in my town and in the Sault--to purchase a percentage or a larger percentage, for example, of the iron ore pellets being produced at the mines in northern Ontario. I would see this as part of an integrated industrial strategy obviously.

Mr. Hughes: I am sure you as well as Mr. Martel have looked into this. I know Mr. Martel, in particular, has been instrumental in approaching both Stelco and Dofasco--I am not sure about Algoma--to see if, in fact, the ore from Ontario or indigenous to could be used within those integrated operations.

12 noon

I do not know the reasons which were supplied to Mr. Martel. He can elaborate on those. My understanding is, of course, that these big corporations have long term agreements with suppliers--

Mr. Mackenzie: We understand all of that. All I am saying is, as a conscious policy which then does protect both our mining sources and the workers that are involved, can you see anything wrong with a policy that would require it.

Mr. Hughes: Require is one thing, moral suasion is another.

Mr. Mackenzie: I am not satisfied moral suasion means a damned thing any more in some of the things we have been facing in this committee and that is why I put it, as what we do.

Mr. Hughes: I think, Mr. Mackenzie, you have to realize that the chemical and physical analyses--

Mr. Mackenzie: We have also heard those arguments and

know that there are things that can be done, know that in some cases there are some problems, but not insurmountable.

Mr. Hughes: I think that the mining industry and the steel industry can surmount an awful lot of problems, but to dig into the economics I am in no position to comment.

Mr. Mackenzie: It was not the economics so much as a matter of policy. We have got iron ore pellets up to a certain time when the long-term commitments we have from American sources take over, and I understand the economics of it and the company's point of view. Should we, in the interests of protecting our own ore resources and people, require that a percentage of that, possibly now an increased percentage of it, be required to be taken by the companies?

Mr. Hughes: Speaking on behalf of the Ontario Mining Association, we are most interested in maintaining a high level of employment and production within the mining industry. However, we do feel that a company should be able to assess their particular situation and determine whether it is to the advantage of the communities, as well as themselves, whether or not they should have to take the product.

Mr. Mackenzie: Mr. Hughes, it is the lack of willingness to take a tough position that may involve a fight for a period of time that makes us wonder about the suasion arguments. Somebody is going to have to do something about some of these problems. I will leave that with you because I do not think you are going to give an answer.

Mr. Hughes: Rather than just take my response, I do happen to have a resource person with me by the name of Mr. Taylor and perhaps he could very succinctly respond to that question and you would have more than one opinion.

Mr. B. W. Taylor: My understanding is that you are asking whether the association thinks that it should be a requirement--

Mr. Mackenzie: That our ores be used where we have them, even if it means some additional processing, or what have you.

Mr. B. W. Taylor: Personally I think it would be a good thing if the steel companies could take more iron ore from Ontario, but I do not think they should have to do that. The one simple reason for this is that, while Ontario is an importer of American iron ore, Canada in fact is an exporter. I think you are leaving yourself wide open to the same sort of retaliation from the US or any other countries that Canada is selling iron ore to.

Mr. Mackenzie: It has to be in the context of an industrial strategy because there are things we need that they desperately need as well.

Mr. B. W. Taylor: That is right.

Mr. Mackenzie: I did not go back to the Hansard, but the

response from the president--if it was the president whom we had before us--of Steep Rock was that he was not willing to require them but were probably even a little stronger than your remarks, that they certainly wish they were.

Mr. B. W. Taylor: I am sure that Mr. Lamb is all for the use of more iron ore from Ontario because Steep Rock owns two very large ore bodies in northwestern Ontario. I had the fortune of being the manager of that property for 10 years at Steep Rock before I came to Sherman Mine and I share his feelings in that regard. I think he also said that Algoma Steel were very interested in divesting themselves of the interest they had in the Tilden Mine at the time that the Bending Lake property was being studied. Unfortunately, because of the situation in the iron and steel industry in the United States, they were unable to find a buyer for their portion of that Tilden property, otherwise there is a good possibility that the Bending Lake property may have come on stream.

Mr. Mackenzie: We have had a similar situation. I am not sure that the Americans would have been as quick to sell short their own people, that is all. I think we have just done a lousy job of negotiations on this thing.

I am switching gears now, but I think it is also equally important that we know that a major portion of the mining machinery industry, the needs for it, are required in Canada because of the extent of our mining. An argument that my colleague Elie and others have made for a long time is the necessity of building mining machinery here and that we could be saving what amounts to a sizeable amount of money. We even have senior officials in this government who take the brunt, I guess, of our questions and criticisms for not developing a mining machinery industry for years--who was it we had?

Mr. Martel: Duncan Allan.

Mr. Mackenzie: Duncan Allan and others--who say that we probably made a wrong decision in not getting into it and now wish we had, but could we do it now?

Inasmuch as you do not like government involvement in these various programs--and that does come through in your brief--or would rather do it through negotiation, why has the mining industry not taken a look at the development of mining machinery industry over the years in Canada? We now have even in this what we would hope is a conversion on the road to Damascus that we got yesterday from the Premier (Mr. Davis), although I very much doubt it, who talked about getting into the mining machinery industry as well as assisting food processors, which we have argued for for a long time because we are going down the drain there as well, and they may now have to get into this area.

I personally think it is window dressing, but if the government is now ready to take a look at getting into the mining machinery industry, why has not the mining association put some pressure on the members to get into this industry in Ontario?

Mr. Hughes: I might just quickly try to respond. The mining industry has always been bent on providing the planning and the capital required to get a deposit on stream. This has not precluded their thinking of getting the best equipment to provide the needs of that particular mining operation, whether it is a shovel or drills and transportation equipment. But I would say that the mining industry has been helpful in providing expertise to companies established in Canada who may have an affiliation with companies outside the country. As an example, in Sherbrooke, Quebec, the Ingersoll Rand Company has had facilities for a good many years there and provides the needs. I am aware of Atlas Copco who have facilities down at Dorval--

Mr. Mackenzie: I am sorry, Mr. Hughes, but we are still a tremendous importer of mining machinery and heavy equipment and I have even had one mine superintendent when we were up in Sudbury, who said his hobby was fooling around with and modifying these big new drills that they are now using in the operation, and he made the comment to us that he did not know why in hell we were not building these here in Canada right from the start.

Mr. Hughes: I guess what I am trying to say, Mr. Mackenzie, is a lot of this is being done.

Mr. Martel: Seventy-three per cent of underground equipment is imported. We just got the figures from Inco because my colleague Mr. Laughran was using a figure of 90 per cent and Inco corrected us and said no, it was 73 per cent.

Mr. Hughes: To answer your question very directly, the Ontario mining industry, while we consider it to be big, and it is big relative to some of the other provinces, is relatively small when you compare it to what is south of us or on an international or global scale. In South Africa alone, as an example, their mining industry is 15 times bigger than--

Mr. Mackenzie: We were told even by the government that we are the third largest mining nation on earth. Certainly, when they tell us the dollar value of it, too, there is some potential there for an industry.

Mr. Hughes: I know it is quite significant and I would not argue with that statement, but I know as an example in South Africa you have close to 700,000 people employed in the mining industry.

Mr. Mackenzie: As the master entrepreneur, and I give you credit for that, I think this is an area where some entrepreneurial initiative was needed and was not shown.

Mr. Hughes: I think your point is well taken and I think it is quite constructive. The mining industry is looking at that and, as Elie knows, in Sudbury they did have this conference and I think it had its seat of origin as a result of the municipality as opposed to any government--

Mr. Martel: The government brief I presented to 2001.

Mr. Hughes: Yes, but the thrust there was to acquaint the different people who might be instrumental in becoming involved in manufacturing with the needs of the industry and how they might go about that involvement. The Mining Association of Canada has taken this on. They are well aware of the money that has been spent on mining equipment and they are anxious to get a piece of the show. In Vancouver in April there will be a conference held in concert with the Mining Association of British Columbia. They had the same thrust, that they would provide indigenous mining equipment for their operations.

Just to conclude, I would think the main reason is perhaps that other companies had a lead on us and, secondly, that to have a profitable enterprise you need to have the market on more than just a provincial scale.

Mr. Mackenzie: I agree totally. Other companies had the lead on us and you need the market. That is exactly the point I made earlier when I said I do not think the moral suasion arguments are going to do us very much good. That was certainly underlined by Mr. Duncan Allan of the--who is he with now?

Mr. Martel: Treasury. No. The Ministry of Industry and Tourism.

Mr. Mackenzie: Industry and Tourism now. He switched. He is a pretty good witness but he can also be pretty tough when he is taking you on. He made the admission that that is one of the areas where we in effect bombed out in this country.

That is exactly the point I am trying to make. It seems to me that, if there are defenders of the entrepreneurial system, amongst the major ones is the mining industry, and I really wonder where in hell you were when we could have been putting a hell of a lot more pressure on than we did in terms of cutting down our imports drastically and producing and developing this kind of an industry, which is directly related to yours.

Mr. Hughes: I would not want you to think that it is totally exclusive to the province. I know of one company that is spending close to \$3 million dollars in mechanical equipment and it is currently getting bids from two Canadian suppliers, one in Montreal and one in--

Mr. Martel: Ah, but suppliers.

Mr. Hughes: But they have large assembly plants.

Mr. Martel: That is what is wrong though. It ties into the whole economic structure problem you talk about. We are the third largest producer of mineral wealth in the world, we are the second largest consumer of mining equipment in the world and we are the largest importer of mining equipment in the world. Now that says something for us in Canada. To have offshore people supplying our needs is simply ridiculous. It is an area that this country must get into if it wants to provide jobs for young people.

Mr. Mackenzie: I think there is a whole discussion we could have on it. I felt very strongly about the two points. I think they are two points that have a direct bearing on the kind of problems we have and that is why I raised them: both the requirement to accept a percentage of the production and the requirement in terms of our overall industrial planning to get into something like the mining industry.

I had one other item, Mr. Chairman, and it is fairly important. That is why I am raising it. I do not know whether or not any of you gentlemen has any connection with the Caland mine. I sort of wish one of you did because you have used it and the mechanism of the suggested closing of Quetico as supporting what is a--my problem with all of these briefs is there is not one of the suggestions that has been made, whether it is Band-Aid but important Band-Aid or not, that I have found supported by a single chamber, management or industrial group. It is almost like you are saying everything we are doing now is fine; there is no real problem.

But you used Caland and so I am going down now to a local level just for a moment. I want to read to you. These are letters and documents that came to me just this week from Caland and the Atikokan area.

I am just going to read this letter and excerpts from a second letter. I was going to get into some really interesting cases: grievances, problems with housing and severance and all of the things connected with it, but I am sending a copy--if I had not brought this down here now, it would have been copied by now--to the Minister of Labour and to this committee, although it is probably a little late for us to use. Let me read this:

"Dear Brother Bob: In addition to the material I have sent to Stu"--he is talking about Stu Cooke of the steelworkers; you referred to them too--"to be forwarded to you, permit me to make the following additional comments.

"To the best of my knowledge, in all of the years of operations, Caland Ore never contributed UIC premiums on behalf of its employees while they were on vacation. We went to termination. We wanted every Caland employee to have a full 52 weeks' employment behind him. So many of our members had four or five weeks' vacation and had only 47 or 48 weeks of employment."

The long and short of it is that they went to the Thunder Bay office of the Unemployment Insurance Commission, had a bit of a fight over it and ended up pretty well establishing the maximum coverage. Let me go on. I am obviously not reading the whole thing because time is short.

"The company also found it necessary to fiddle with RRSP contributions where employees elected to divert severance pay into RRSP. Caland's policy was to divert the total amount--nothing more, nothing less. In one case where we were asked by the employee to intervene, the employee was told the company had sent all his severance pay to his agent and that from the amount above \$5,000 the necessary tax had been deducted and submitted to

Revenue Canada and could not be changed and the company refused to change it.

"I contacted Revenue Canada, asked them if they would confirm with the employee that the tax was in the hands of Revenue and I pointed out the company's position. Within ten minutes, the company was informed that they, the company, could retrieve the money and would give it to him." Obviously Revenue Canada had called the company in this situation.

"There is no way of knowing how many other shenanigans went on, other than some that I am covering with you here."

He also gave me a copy of the letter he refers to that he had sent to Mr. Cooke. Some of it is backup information; some of it is new material.

He starts out: "1. Caland Ore's philosophy statement re terminal phase of operations. This was developed at Quetico Centre by Caland management to point out what was supposed to be done.

"Copy of a letter from myself to Mr. M. Carand, dated February 19, 1980, re Caland's failure to include union representation on safety tours, an ongoing source of friction in the last year of the operation, and one specific case underlined where we have gone to the ministry.

"3. Copies of a letter from myself to Mr. Kelly, Caland Ore, dated October 2, 1979, and a memo from Mr. Mazurkewich, Caland Ore, dated October 10, 1979, re houses being purchased by Caland employees. Despite our appeals to Caland at least 18 months previously, Caland has waited until the first 190 employees were in the termination phase to allow their employees to purchase homes outright. The delay ensured housing prices which had already begun to tumble...It also insured long-term employees purchasing homes at Caland would have to stay through the terminal phase."

There are two or three letters about some of the arguments and fights they had over the housing problems.

"4. Copy of a letter from Henry Gareau to N. F. Scott, dated February 28. The company turned us down."

I could go into the individual letters, which made sense to me in a terminal phase. Some of the requests were not major.

"5. Copy of a letter from Mr. N. R. Porter to myself, dated July 17, 1980. Ninety per cent of the people terminating in mid-month, any month, were taken off the premium roles in error.

"6. Copies of a letter to Dr. Kristjanson from myself, December 3, 1979; a telegram to the Honourable Robert Elgie, dated January 17, 1980, from myself; a letter from Mr. Elgie to me, dated January 29, 1980; and a letter to Mr. Elgie from Mr. Gareau, dated March 3, 1980, which had to do with two cases."

I really would like to go into those cases. I will not, but just to give you one example, this one was over a dismissal. Let's

see now. This had to do with an injury. The company's assumption was that she could not go back to work. The doctor's word was that she could. The company's efforts to get her to quit: They asked her to come in and get her severance pay. Her husband called in and asked to take a cheque home to her. The contract states that on receipt of severance pay the relationship of the Caland employee is severed, and this would have had grave implications for the employee.

"I appealed to the Minister of Labour for assistance, citing labour relations being at their lowest ebb in 20 years. He sent an agreement settlement officer. We were not entitled. We got Mrs. --the lady involved--"back to work and with \$2,500 cash. She would have lost \$7,700, if the company had been able to get away with the procedure."

It goes into a couple of other individual cases, and it would really turn your hair if you read through all of the details of them. It goes into some detail on that.

"7. Another Caland trick was to recover from their sick pay benefits the amount of money being received by the employee from Canada Pension disability. Ultimately, as per my memo to Mr. Gareau, July 1980, they were forced to return the money.

"8. Frank Dubois: Dr. Kristjanson indicating on May 22 this man was permanently unemployable. Caland, after its initial squirming routine, finally accepted the doctor's slip on October 25 and decided to pay him a disability pension of \$250 a month. A long fight went into this."

"9. A letter of December 4, 1979, to Mr. M. Carand. People were alone in a major garage, separated from plant activity. The company would neither set up nor check the system, or define what type of work these mechanics would be required to do. We advised them at that point to do nothing and that way they would not get hurt." It goes on to discuss this at some length.

"10. The case of Jerry Campbell." I will not go into it.

Another dilly is number twelve. It is one of the ones I was going to read, but I will not at this point.

"13. Caland Ore requested UIC to interpret article 10 of the CBA, which had been causing us problems. They did and we reacted, and suddenly the problem was entirely cleared up after weeks of argument with the company.

"14. Blackballing." He goes into a number of cases.

He goes into cases of medical records and information on employees being turned over to western companies, and then the union being called as well by the employees over information that they feel never should have been given about employees who were looking for jobs.

12:20 p.m.

"15. This will tell you a bit about Caland's commitment upgrading courses. It is our contention that most of this should have been done by Caland in their apprenticeship program.

"16. Caland and CMCS would not give us a company breakout of joint manpower committee funded by CMCS.

"17. Our safety and health chairman was penalized for doing a good job. You will find the copies of the letters to Mr. Turcotte very interesting."

Number 18 is more nonsense. I will not go into the cases.

"19. Employees were hired from Steep Rock following their shutdown...very little at stake when you read the information, except their reputation, and records which were turned over."

Some of the the stuff, as I said, is extremely interesting when you get into it. I am raising it simply because almost by inference we were given the Caland situation as an ideal one. I am simply raising it to show why I sound a little bit annoyed. That is why I have sent all of this stuff to the Minister of Labour as well. He has already been involved in some of the individual cases.

This indicates that we have to have something a little stronger than we have to protect employees in these kinds of shutdowns. I give credit, and have, to those companies that have gone beyond the contractual arrangements, but it is simply not good enough. There are a hell of a lot of other things there that are not protecting the workers of this province.

In general terms, I do not know how you square that with what I see in your brief.

Mr. Keenan: If I can make reference to that, we do not appear here with a specific mandate from any particular company. It seems to me to be somewhat--

Mr. Mackenzie: I had not really intended to get into it. I just got a little annoyed.

Mr. Keenan: It seems to me to be not quite proper to introduce into the record documents that quite clearly are self-serving, in that they have come from the union, without asking the company specifically concerned--we certainly are not here to represent any specific company and we are not in a position to answer for them--but I do believe that company should have the opportunity, and should be invited, to express its views.

Mr. Mackenzie: In many cases there are company responses here too, on the housing issue and on some of the others. As I said, I dealt with it in summary. Sure it was the union making the case, but there a number of cases where the company's actions, its memos and letters are a part of the argument and the fight that went on over these situations. As I said, I could have read every one of them to you. There are company responses on some of these papers. That is why I am sending them to both the clerk of this committee and to Mr. Elgie.

Mr. Keenan: It certainly must be clear that since we represent the association we do not have the facts, nor are we in a position to speak to any of them.

Mr. Mackenzie: I may have been a little strong, but your brief implied that the Caland operation was an excellent one and at least one side thinks there are some serious questions about it.

Mr. Hughes: In our brief we indicated that these were reference documents for the committee members to look into if they wished more detail.

Mr. Mackenzie: They are here and I read them. They are fairly good as they go, but obviously they do not necessarily get lived up to.

Mr. Hughes: I do think what Mr. Keenan said is that the company should be afforded the opportunity to respond to the individual concerns that were expressed by Mr. Mackenzie, because we are not in a position and we certainly do not know about the incidents he identified.

Mr. Mackenzie: I presume that once they are turned over to the clerk they are available to the company as well.

Mr. Chairman: Thank you, Mr. Mackenzie. Gentlemen, I thank you for your time and your very thought-provoking and lengthy brief. Thank you very much for your help.

Mr. Hughes: Thank you, sir.

Mr. Chairman: I would call the representatives from the Metropolitan Toronto board of trade. Again, as you are coming up, I apologize for the time constraints. Copies of your brief are being distributed right now.

I wonder, to avoid having a problem part way through the reading of the brief, if the members of the committee can give me some guidance. You know the situation, that these gentlemen cannot return at two o'clock. It is now almost 12:30.

Mr. Hamilton: Mr. Chairman, if I may say something here initially, I understand the committee's difficulties, and I am quite prepared to try to summarize the brief in 15 minutes.

Mr. Chairman: That most assuredly would help us. We would appreciate that if it is possible. Members of the committee who are not able to be here will have access to the report and to the transcripts. If you will begin to summarize it, that will be helpful.

Mr. Hamilton: Thank you, sir. Perhaps you will permit me, first of all, to introduce myself and members of my committee. We are here, sir, on behalf of the Board of Trade of Metropolitan Toronto. My name is Hamilton. I believe there are copies of our names and activities filed with you, sir.

Mr. Chairman: Yes.

Mr. Hamilton: I am chairman of the board committee dealing with this matter, and a member of the Board of Trade of Metropolitan Toronto. I have with me, first of all, Mr. Herrick my right, who is the vice-president of the board of trade. He is also chairman of the board of General Mills Canada Limited. I have on my left, Mr. Laurence Coward. He is a member of our committee dealing with the matter. You will understand from the company of which he is a director that he is probably one of the foremost pension consultants in the country. I also have with me Mr. William Wright. He is obtaining some information in answer to one of the earlier questions. Mr. Wright, again, is a member of our committee. He was for eight years a member of the Alberta Board of Industrial Relations and has widespread experience throughout Canada.

If I may, sir, I will endeavour to summarize the brief. I will read the first paragraph, then endeavour to summarize it from that point on.

The Board of Trade of Metropolitan Toronto is an association of over 16,000 business men and women representing large and small firms who are gravely concerned that new legislation on plant closures will substantially undermine Ontario's ability to remain competitive and thereby able to provide jobs, benefits and services to its people. To tell potential investors in plant and equipment that once the capital is invested, a government body will decide when and if the business may close in spite of losses and continuing costs and in spite of how long the business must continue to operate at a loss, in other words throwing good money after bad, is the antithesis of programs conducive to the improvement of business conditions in Ontario. Even the possibility of such legislation deters prospective business from locating here because of the fear that such legislation or other regulatory requirements equally bureaucratic and punitive will be adopted in future.

We set out our concern for the human hardship that we know this committee shares with us that results from plant closures and mass layoffs, but we point out in the second paragraph the equal concern felt for owners, managers and investors who suffer huge losses and expenses when all or part of an operation is closed due to changing market conditions. We believe that in any consideration of plant closures the interests of the employees must be considered, but so must the interests of other people who are affected.

I will skip the next paragraph, if I may. We are concerned that we had no opportunity to present our views on the issuance of severance pay, but I am sure that has been recorded with you elsewhere. Also, Mr. Coward will briefly summarize his concerns about Bill 214. I am sure that has been expressed elsewhere as well.

In the next paragraph we are concerned that careful consideration be given to our views because, in our submission, they reflect the views of men and women who are trying to keep Ontario's business competitive and thereby able to provide jobs,

benefits and services to its people. We mention the fact that, in our view, the legislation as it now exists is the equal of any in North America. We agree to the five-point program presented by the minister, and in answer to some of the questions as to what some of us have been doing, both in our individual and corporate responsibilities as well as as an association, we are rather proud to say that the board has itself fostered programs such as the North York youth employment service in the Jane-Finch corridor.

People living in Toronto will understand the significance of that corridor, and the Junior Board of Trade projects, such as the auto body shop in northwest Metro, which is providing training for job and business opportunities for disadvantaged young people, some of whom would be otherwise unemployable.

I mention in that regard, when you think of the corporate involvement, I assure you that people such as de Havilland, Stelco and other people here before you, including Mr. Herrick's company, have bent over backwards to find employment for people who would not get through the normal personnel interview. They are doing that because of their responsibilities in the community.

12:30 p.m.

We are concerned that existing legislation in Ontario already imposes more onerous financial and administrative obligations upon employers than most, if not virtually all, other jurisdictions in Canada and the United States. Basically we feel there should be no increase in the overall obligation and responsibility of business in this regard. We are concerned that to do so will handicap the efforts of government and the private sector in attracting new investment. I should have mentioned before, sir, that Mr. Herrick is, and has been for the past three years, president of the Metropolitan Toronto Industrial Development Board and very active in the attraction of new business to this community.

We say that unfortunately when you look at legislation there is no way to say that any one piece of legislation will be the straw that breaks the camel's back, if you will. There is no pragmatic assessment of that decision. But we do say that there have been a multitude of new obligations and responsibilities imposed upon employers by new federal and provincial legislation in the last two years. We say that when the totality of such new measures is considered and compared with conditions in the northern United States, let alone in the Sunbelt area of that country, Ontario becomes a less attractive location.

We draw the committee's attention--and we hope it is already conscious and concerned about it--to what happened to legislation in Ohio and Michigan. In Ohio it was identified as an industrial ransom bill, and I do not know to what extent that has been developed. We will not have time today, but we invite an investigation of that comparison.

If you turn to the top of page four, you will see that this is even recognized in the brief filed by Ontario Federation of Labour. In its January brief, on page three, line five, there is

mention there that many American-owned companies "have fled to states where wages and working conditions are inferior and the right to belong to a union is severely limited by the...right to work' laws."

If we look at recent government measures, and we are concerned about the totality of this new legislation, we list down before you on page four the significant new pieces of legislation, often with administrative involvement of considerable magnitude, that have been imposed on employers in the last two years. This is only a partial list because it only deals with employee and labour relations without getting into all the new and relevant legislation developed by other committees in other aspects of government dealing with marketing, prices and all the other controls that are imposed.

We mention here the new health and safety obligations under the new legislation and the new labour relations legislation which has the compulsory deduction of union dues, but without any compulsory votes on union recognition as is the practice in the United States. We talk of the new arbitrator legislation--that is Bill 25--and you recall the concern there was with respect to that piece of legislation that cut right through the collective agreements and imposed arbitration by a sole arbitrator on any issue without reference to the continuation of the three-man panel and some of the other conditions.

We list the new workmen's compensation plan which is Professor Weiler's submission. We talk of the new human rights code that is to be dealt with by a committee of this House next month, and of the new unemployment insurance premiums--in that regard, sir, would you be good enough to correct for the record the top line of that section. It should read "new unemployment insurance premiums payable by employers increased by." I apologize for that typographical error. It should not read "for employees" but "payable by employers."

Going to the effect on business, sir, we draw to this committee's attention our observation that not only does the direct effect of the legislation concern people coming to deal with and work and invest in this province, but we are also concerned with the total instability that is created. That concern reinforces, if you will, the natural reluctance out-of-province corporations or individuals have about venturing into new and unfamiliar legislative jurisdictions. There is always a concern about staying at home. We are also concerned about the absolute limit to the amount of fundamental legal change that can occur over any given period of time.

We deal in the next paragraph with the focus that the trade union people have placed on profit. There is a concern for profit. We make no apology for that. That is what private enterprise must have to succeed. But we also say there must be concern as well for the risks of loss of time and money in the new venture. It is because of that, before any investment is made, a critical feature of the decision is the risk of loss of both capital and operating expenses.

I would draw to your attention at the top of page six that we understood, for the first time, that there is a ranking system used by Industrial Locations Consultants in the United States. I found this in going through the Ohio proceedings. Your committee may already be aware of it. But, for example, Ohio was ranked already twenty-fourth. In that ranking system, the laws regulating business is an important factor. I would ask that perhaps further investigation could be made concerning the importance of that factor in what attracts new business to a province.

In terms of the new restrictions on business proposed by trade unions, perhaps we could take that as read. I think that already has been delineated in briefs. We are concerned, frankly, that if the committee and the legislature were to adopt such new restrictions on business, that would be precisely the wrong remedy for the problem of plant closings. As it fights to maintain and attract business, investment and employment against the lure of new prosperity and dynamic activity in energy and resource rich provinces and states, Ontario needs to adopt a variety of positive actions, not punitive ones, to provide an attractive business climate. The province needs incentives to business, not disincentives, and negative measures will not create new jobs.

We look at the balance of government bureaucracy and regulatory bodies with which we are coping and mention those on page seven. We are also concerned about the collective bargaining imbalance, and have developed through page seven our concerns in that regard. Perhaps the most significant factor, first of all, is that of justifying the company's position. We say simply this: If any company already having a desperate time remaining in business is then forced to justify its position, its competitors, its customers and its dealers will immediately lose all confidence in the continuation of that business and it becomes a disaster. To try to subject a company to that kind of open forum of debate and complete revelation of its financial position may very well be the kiss of death to the business itself.

We say this from experience, through some of the--let me use an example. Outboard Marine was before this committee, I believe, in December. When they went through the major closing of Pioneer Chainsaw, they had to come before you and explain what they were doing as a means of advance notification. I doubt very much whether they would have maintained their dealer organization, or their other organizations, and they may not have been able to make the deal they eventually did with some of their ex-employees, as I remember that situation, to maintain what was left of the business in operation. That is the kind of concern we express as to public revelation of confidential sales and marketing information.

If I may go on to page eight, we draw to the committee's attention that in the collective bargaining process the union and the employees themselves develop their priorities. If they are prepared and wish to take present wages and benefits over future job security, such as severance pay and other activities, then that is a decision they make. But having made that decision, is it then fair to impose upon the employer those very things that were given up in the bargaining?

You perhaps noted that there are very few severance pay requirements in many collective agreements. In part, I submit, that is the effect of the existing legislation. When it provides the kind of 16 weeks' advance notice that exists in major contracts, that tends to take the heat off that issue in bargaining. To that extent, there is also a negative effect in the bargaining process if you consider section 13 of the existing regulations. They say that whatever you do voluntarily or through collective agreements to provide, for example, a severance pay plan--you will see that on the top of page nine--cannot be used to offset what is legislatively required.

If, for example, a major employer were to adopt the severance pay system now, he cannot use that system to fulfil the requirements of payments during the notice period. In some cases, they had adopted it prior to the introduction of this legislation. Having done so, they were at a competitive disadvantage* to use that system, compared with their competitors who had not done so.

12:40 p.m.

To some extent, the socially motivated employers are thereby prejudiced by having adopted that form of beneficial treatment of their employees. That does not just include people under collective agreements, sir. That includes any policy that you publish. In those circumstances, there is a direct interference with the collective bargaining relationship when that occurs.

Going on with the brief--and I wish we had more time, quite frankly--we say that this question of stacking has got to be reviewed because it would be grossly unfair to some employers who have recognized the responsibility to employees at a time when there was no such legislative requirement.

If I can go down then to the balance of that page, we do have a concern that there is an interference with the form of identification of a termination of employment. For example, if you are laid off more than the required number of weeks, you are therefore terminated, pursuant to the Employment Standards Act. Yet, under the collective bargaining agreements, you have got two, three, and in some cases more years when you are entitled to recall.

You have been terminated for the purposes of the act, given the notice or the pay in lieu of notice, and yet you have recall rights if the business starts to improve and you are then recalled. What happens to the payments that have already been made based on severance? In fact, you have still got recall rights in those circumstances.

What would Stelco's recall period be now? Two years?

Mr. McCracken: It goes up to three years.

Mr. Hamilton: Three years. So, somebody terminated under a Stelco collective agreement who must be given the minimum notice and who may not work out the period and has to be paid therefore from Stelco's point of view, has recall rights back to the same

job or in the same plant for perhaps as much as three years. That is where there is confusion amongst employers as to what severance means. Because the mere payment of severance pay under the act does not sever the relationship of employment for the purposes of the collective agreement. That is a debility that employers have faced in Ontario in trying to put their collective agreements and their responsibilities under collective agreements in unison, if you will, with the legislation. We draw that to your attention.

Going on to the existing requirements which are set out on page 10, I will skip those if I may.

We draw to your attention our concern on severance pay. We balance against severance pay, really this question. To what extent in the equation of severance pay do you take into effect unemployment insurance? It may be in a different jurisdiction from this Legislative Assembly's jurisdiction and powers; nevertheless employers are obliged to pay unemployment insurance. It may not be high enough. There may be other concerns, but that is directed for a specific purpose of unemployment. What is severance pay directed for? Is it directed for past service or is it to assist somebody in finding another job? You have a conflict there.

To what extent, for example, is a very skilled person entitled to the severance pay when he leaves? He has got a job immediately. He has not had any loss of employment.

We say if you are going to recognize past service, as Mr. Coward will say, do it through a funded plan that does not have the problems of income tax and does not have the possibility--and we are not sure whether this committee has investigated it--of the unfairness of Ontario residents claiming UIC where there is a severance pay scheme, compared with people in other provinces.

Let me explain. I do not know to what extent it has been investigated by the committee, but there is a possibility under UIC regulations that the severance pay will be attributed to weeks of unemployment. In that case, there will be a delay of becoming entitled to UIC. If there is that sort of delay in becoming entitled to UIC, Ontario residents who have been paying into the unemployment scheme, will obtain less benefit out of it in precisely the same circumstances, than people in other provinces.

To what extent has that been investigated and considered? Because I think that is a very valid point. You must look at how the UIC will fit, if you will, into how severance pay is to be dealt with. Certainly I know that for the purposes of notice, when you pay through the period of notice, even if you are no longer required to render service, you do not become entitled to UIC until that period has expired because you are receiving benefits under the act, and you are therefore not entitled to benefits under the act until you are no longer receiving income. We draw that to your attention, sir.

We draw your attention on page 12 to the concern that often exists that when your more skilled people can find jobs elsewhere they tend to leave very quickly after notice is given. The problem in that regard is whether the person who works right to the end of

the period is to be entitled to the same sort of severance pay as somebody who is able to find another job, doesn't experience unemployment and obtains it immediately. We think there is an inequity in terms of that matter. It may be that you will want to consider some relationship of severance pay to obtaining another job elsewhere. Again, we offer that merely as a comment.

Laurence, as a means of getting through this, would it be too much to ask you to pick up the pension pay amendments on Bill 214?

Mr. Coward: Certainly, the first point is that the bill went through in about one week in December, which we consider to be indecent haste, particularly since Ontario has a royal commission on pensions that is expected to report next month and has taken three years on it. I might further point out that Ontario set up an organization called the Canadian Association of Pension Supervisory Authorities and supported it very strongly to get uniformity of legislation across Canada. It has been fairly successful up to now. Now we have totally abandoned it. There was no time to discuss this with other provinces and the inconvenience of different legislation for a national company is very considerable.

I would like to point out that as the law now stands, the provision that is made for somebody who loses his job as a result of plant closure, is much greater than that for somebody who loses his job for any other reason, which is an extraordinary thing to justify. If the plant is being wound down, the employees do not have nearly the same benefits as they do if the plant is closed all at one point. I feel that this is bound to be unstable and lead to further change.

As for the proposal to set up a pension benefit guarantee corporation, the principle that was followed by Ontario was to require fast funding and avoid pension benefit guarantees. This is the opposite from the principle in the United States where they have nothing like as tough laws about funding deficits, but they do have a pension benefit guarantee corporation.

The board of trade has very positive suggestions on pension policy and has a brief which has been sent to the Ontario government and other governments on that matter. It would be quite impossible to say that we don't favour better pension rights for employees. This is totally one-sided and has given no chance for business, or other provinces for that matter, to consider it and fit it in with their plans. If I might say, there was no 16-week notice period about this bit of legislation. If one is arguing that plant closures require justification in every case, I don't think any justification was given for this bit of bad legislation.

Mr. Chairman: Strong point, well made.

Mr. Hamilton: Perhaps we could take the summary as being read and the conclusion as being read. I think you and your committee, sir, will understand that they merely summarize and conclude the matter. I might add that this is the closest I have

ever been to anticipating and telling people how long I would be. Thank you. I appreciate the extra five minutes in doing that.

Mr. Chairman: My frustration is evident, I guess, for a couple of reasons. Many members of the committee had other commitments and were not able to be here. This is again a thought-provoking brief and I know that we could literally go on for a long time, and to our benefit, in questioning. We simply ran out of time. I am not alone in being sorry for that. On behalf of the committee, I thank you--

Mr. Hamilton: I wonder, sir, if you would permit one matter. We were rather hoping to have Mr. Mackenzie ask one question. We heard his questions earlier and we were more than amply frustrated at the back of the room; in fact, we almost started to interject and that would have been quite improper.

Mr. Mackenzie: You recognize there is some difference in opinion in what I might support and in your brief, I take it.

12:50 p.m.

Mr. Hamilton: Sir, we have always found you to recognize that both sides are entitled to convey their own opinions.

Mr. Mackenzie: That I have never argued against.

Mr. Hamilton: That was the fun we were looking forward to this morning, if I may indicate that.

Mr. O'Neil: If he won't ask the questions, I will.

Mr. Hamilton: Bill, would you like to speak to that one point?

Mr. Wright: Perhaps I could be permitted to address the question that Mr. Mackenzie raised with the preceding group with respect to regulating the proportion of Ontario ore that the Ontario steel companies would be required to use in their operations. Unfortunately, I am not an expert on the subject, either from a technological or an economic standpoint.

However, as a general observation, I believe that the Canadian steel industry has stood out over the past difficult period in the Canadian economy as not only maintaining jobs but, indeed, increasing jobs which have been available for Ontarians in particular. Mr. Martel earlier made reference to people from Capreol relocating in our new Nanticoke operation.

I would express a strong note of caution, Mr. Mackenzie, that any regulation of the steel industry with regard to the effect of its economic viability to compete on a worldwide basis as we are now able to compete, could have bad effects on the employment situation overall as opposed to improving employment situations in this province. I would suggest that that matter be taken into very serious consideration.

Mr. Mackenzie: Just a very short response. I suspect you may be a little surprised. Maybe you are not, either. I don't know how much you read the Hansards or some of the arguments in the House. There have been a number of occasions, notwithstanding maybe a little different philosophic approach from what you might have, that I have made the point, and made it very strongly, that one of the few success stories in the time of trouble we are having has been the steel industry.

A number of things they have done I have been interested in. One of them which has impressed me very much is protecting the local market to the extent they have done so, which a lot of other companies have not done. All of those points are on record.

That does not, in my opinion, take away a bit from what I think is a serious argument, which is that there is a responsibility, given the expertise they have, even beyond the efficiency and ability of that operation, to take a look at what happens to a town like Atikoken or to a town like Capreol, a point which my colleague raises. I know he's gone into--which I haven't and I don't profess a knowledge in--the chemistry of using or not using the ore and all the rest of it. He has met with people from industry and other sources on the deal.

The question I asked the mining people still stands. It seems to me that when we are faced with a complete town shutdown, when we are faced with a mine that still has some possibility of supplying ore for a number of years, whether or not--and I grant you this means we are taking a look at the bottom line in terms of the company--the long-term agreements they've entered into with across-the-river or across-the-lake or offshore sources should take precedence, I think it is something we have to take a look at, just as the mining industry does. We've been raising that for years.

We got a bit of a surprise in this committee to have somebody like Duncah Allan tell us "Yes, we've looked at it again and we think probably we did make a mistake in not moving into that area because it is a major area." It seems to me that there is a requirement, if we are going to take a look at the situation we have in this province, in this country, to take a look at a lot of options.

Protecting those towns and those employees would have to be one of them. That may mean there is some further obligation on companies such as Dofasco, Algoma or Stelco, I don't know. I think we would be remiss if we weren't taking a serious look at it. Unfortunately, there are not too many people who will ask those kinds of questions.

Mr. Wright: If I may simply state. I suppose there are a couple of matters of concern. Indeed, we have a viable iron-ore mining operation in the province in our Griffith Mine at Red Lake. To the extent that other mining operations may not be as economically viable or continue in effect, it may have an impact on employment as a viable operation. As a Canadian, I am also concerned about the further balkanization of this country with respect to perhaps imposing Ontario requirements when most of the

steel companies in this country do have other mining properties elsewhere in the country, not only in Ontario. That is also a consideration that has to be looked at.

Mr. Mackenzie: There are a number of things we could look at. I happen to think that they have done an excellent job in how they have dealt with a problem they have had for a hell of a long time in terms of potash in Saskatchewan, although I suspect that might get some arguments from the mining association. It certainly has been helpful to that province and for revenues, and those mines that are still run by the private companies are doing damned well, but they did not get into it because they wanted to initially, that is the point I make. It was because they saw it as a way out after their court battles and fights to get what they saw as a fair provincial share in that province.

I think that if we are not going to take a look at all of these things, and some of them we are going to differ drastically on, we are not really dialoguing on what I think are some serious challenges to our country.

Mr. Hamilton: Mr. Chairman, we appreciate very much Mr. Mackenzie's remarks. We would just like to leave you with one message, sir.

You will see from the make-up of our committee that we are not just a labour relations committee of the board of trade. Mr. Herrick has spent hours in trying to attract new business to this province and to Toronto. The rest of us appeared before our council when these matters were dealt with by a very broadly based council representing people from a variety of activities, all of them interested, as indeed Mr. Mackenzie is and we respect his view. But we are merely saying that we are looking for positive measures, not negative ones, and seeking to bring our province back into a more prosperous industrial and commercial activity.

I am not sure that you have documented proceedings dealing with the Ohio bill. I would be happy to leave these with you for reference purposes if I could get a copy of them back at some time. We obtained them from people in the United States because we did not know where else these matters might have been considered and they were considered in Ohio. There are several documents that will indicate that.

We are obliged to you for your courtesy. Thank you very much.

Mr. Chairman: Thank you. We are all equally frustrated because we have a lot of important points to exchange. Gentlemen, thank you very much.

The committee adjourned at 12:57 p.m.

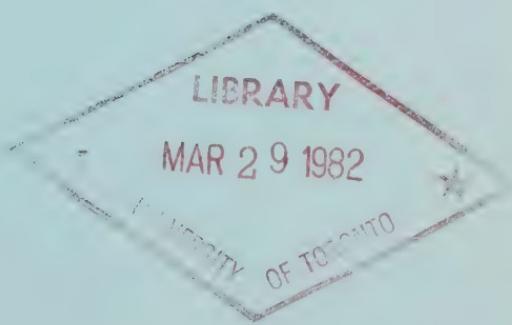
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SELECT COMMITTEE ON PLANT SHUTDOWNS
AND EMPLOYEE ADJUSTMENT

CANADIAN MANUFACTURERS' ASSOCIATION
SOCIAL PLANNING COUNCIL OF METROPOLITAN TORONTO
SKF MANUFACTURING OF CANADA LIMITED

THURSDAY, JANUARY 29, 1981



SELECT COMMITTEE ON PLANT SHUTDOWNS AND EMPLOYEE
ADJUSTMENT

CHAIRMAN: McCaffrey, B. (Armourdale PC)
VICE-CHAIRMAN: O'Neil, H. (Quinte L)
Cooke, D. (Windsor-Riverside NDP)
Curcätz, S. (Durham East PC)
Mackenzie, R. (Hamilton East NDP)
Mancini, R. (Essex South L)
Ramsay, R.H. (Sault Ste. Marie PC)
Taylor, G. (Simcoe Centre PC)
Turner, J. (Peterborough PC)
Van Horne, R. (London North L)
Williams, J. (Oriole PC)

Substitution:

Eakins, J. (Victoria-Haliburton L) for Mr. Van Horne

Clerk: White, G.

Researchers:

Eichmanis, J.
Jennings, R.F.

Witnesses:

Morning sitting:

Wightman, W., Wightman and Associates

From the Canadian Manufacturers' Association:

Hetherington, W.L., Vice-Chairman, Ontario Division
Walters, D., Chairman, Ontario Division

Afternoon sitting:

From SKF Manufacturing of Canada Limited:

Cumine, R., Labour Counsel
Saxe, S.D., General Counsel

From the Social Planning Council of Metropolitan Toronto:

Bennington, E., Member
Lee, D., Member
Muszynski, L., Member

LEGISLATURE OF ONTARIO

SELECT COMMITTEE ON PLANT SHUTDOWNS AND EMPLOYEE ADJUSTMENT

THURSDAY, JANUARY 29, 1981

The committee met at 10:15 a.m. in committee room No. 1.

CANADIAN MANUFACTURERS' ASSOCIATION

Mr. Chairman: Gentlemen, I will call the meeting to order. We do have a quorum. Before we proceed with our agenda today which, as you know, is the submission from the Canadian Manufacturers' Association, I want to speak to three or four points that have been raised in the last few days.

The SKF lawyers can appear at two o'clock this afternoon. I do not think this requires any discussion, but I am in the hands of the committee. That was a request by way of motion last week. So that is at two o'clock today.

As you know, we have only the two groups scheduled to appear before us today, CMA and the Metro Toronto Planning Board. If we could, Mr. Martel, judge our time accordingly with the SKF people at two o'clock today, and maybe Richard Johnston might be informed of that if you see him.

There are three other related things. There were strong suggestions and motions, in fact, this week that we invite Roy Bennett, president of Ford, Larry Grossman and Frank Miller back to the committee. Without getting into the technicalities, the motions calling for Grossman and Miller specify Wednesday afternoon and Wednesday evening, but as you know, that was just not able to be arranged with either of those people this week.

Mr. Cooke: What was Larry's reason?

Mr. Chairman: Larry's reason? He tried to free himself up, as I relayed the other day, and he was unable to, and he was going to be out of town today. I am not sure where--Windsor or Chatham, as I recall. But the messages still stand. Mr. Bennett of Ford is out of the country until Monday. My simple concern is that when we get back here on Tuesday morning--go ahead.

Mr. Martel: I do not even know why you are bothering to go into this. I understand why you want to line people up in the event we come back.

Mr. Chairman: Yes.

Mr. Martel: The little game that is going in which everybody is sitting on about 10 different committees working against the unknown is simply crazy. In my way, I would say we should adjourn the whole God-damned thing until Davis gets off his chest whatever he is going to unload on Tuesday.

Mr. Chairman: I will tell you specifically what I do not

want to see. Let us forget the possibility of an election. If at 10 o'clock on Tuesday morning we call the meeting to order and, as we have agreed for some time, we proceed with our deliberations on the final report, that is fine. I think we would be wise to work on that basis. But someone could, quite properly, make a motion and say, "Where the hell are these three people who were invited?"

You put us in a pretty difficult position. We cannot ignore the message from the committee to invite these three people and pretend on Tuesday morning at 10 o'clock we did not hear that. But by the same token, we cannot finalize anything with these three people, except on a pretty tentative basis. If we have done that and there is no writ, where the hell are we going to find the time to do our final report? I am just reflecting a concern of mine and trying to be responsive to the committee's instructions, and we are all of us playing against a mirror here.

Mr. Martel: Why don't you go and talk to your boss?

Mr. Turner: He did last night, as a matter of fact.

Mr. G. Taylor: Don't send him out on another phone call.

Mr. Chairman: Let me leave it like this.

Mr. Turner: He disappeared for the day that time.

Mr. Chairman: Yes, that is right.

Mr. Turner: He got lucky.

Mr. Chairman: I will tell you my very strong wish would be that we would at least carry on on the assumption that we are going to meet Tuesday, Wednesday and Thursday, address ourselves to the draft report and get at the recommendations therein. If we could work on that assumption and just forget the other people we could call back or recycle back to this committee--we cannot do both, or at least it is going to be awfully damned tricky to do both. Don't make a decision on it now, but please think about it. We cannot structure next week at all intelligently under the present circumstances any way. Let's not make it more difficult.

Mr. Martel: Why don't you go and make that phone call?

Mr. Chairman: I will not respond to that at all.

Mr. Martel: He has already had the word--

Mr. Chairman: No discussion is required, I do not think, on that.

Mr. Walters and Mr. Wightman, officially on behalf of the committee, I welcome you and thank you for taking the time. You have the coveted last slot on the last day to receive public submissions. We have been looking forward to the opportunity to hear your views and to learn something about your response to our deliberations. Welcome. We are in your hands, Mr. Walters, Mr. Wightman. We have copies of your brief. If you wish to begin

either to read it or to summarize it, leaving time, I hope, for questions, I would invite you to begin.

Mr. Walters: I am Don Walters, chairman of the Ontario division of the Canadian Manufacturers' Association and I want to thank you for the invitation to present CMA's views on the plant shutdown issue and related problems. First let me say my role as chairman of CMA's Ontario division is an elected position. I make my living as an owner-manager of a wholly owned Canadian company employing under 100 employees. It is rather appropriate that I should make these opening remarks because that size of company typifies not only a CMA member, but the Canadian manufacturing industry.

A few days ago you had representatives of General Motors speak to you. That company is a CMA member but is far from typical. Our typical member has somewhere between 50 and 100 employees. The vast number of Canadian manufacturers are that size, so I feel it is in this context we are speaking to you today. For instance, it concerned me that in selecting companies for your case studies you chose more multinational companies than you did Canadian ones, even though the statistics show that in plant closures, Canadian-owned companies outnumber the multinationals something like three to one.

10:20 a.m.

I mention this only to underscore the fact that in your deliberations I urge you to remember your recommendations will have the greatest impact on a majority of companies that are not large in size and have limited resources. This does not mean that larger companies are not concerned with your inquiries. They most certainly are. But I remind you that the majority of companies involved are ones that do not call upon resources from other countries. They are the home-grown produce, if you wish.

Turning to our presentation, I would like you to think of it in this concept. Being business people, we have chosen to present some of our views today by suggesting a concept of a balance sheet, but not one with figures, one we would call a social balance sheet. We think the concept of a social balance sheet is a good one and recommend it to you as a means of evaluating the facts and opinions expressed to you.

Based on recommendations you have already made, the government has announced a policy of accepting the principle of severance pay and it proposes to have legislation on that issue soon. We have touched on this in our brief, but we believe it would be more appropriate to deal with it at greater length when the legislation is introduced. We hope it will be referred to a committee of the House to make public comment and we will reserve our more detailed commentary on severance pay until that time.

It must be recognized, however, that any severance pay legislation will have a price tag attached to it. In addition, other proposals have been suggested to you and it becomes your responsibility, as politicians, to form your recommendations and for the Legislature, again as a political entity, to make a final

decision. Our suggestion is that those decisions must be made with both columns of the social balance sheet in mind.

Our brief points out the pros and cons of the various issues, but we also ask you to think of them as incentives and disincentives. Any costs added to our present costs of doing business which affect our competitiveness with our major customer, the United States, certainly are not an incentive on the social balance sheet. I suggest it is your responsibility to decide the extent to which additional disincentives will be in the interests of the people of Ontario. Any of your recommendations from this point will be added to what you have already recommended on severance pay, which, of course, has already been clearly identified to you by many business spokesmen as a disincentive.

We believe that in order to help you most, our information can be best presented by someone with specialist experience in the social legislation field. With your permission, I shall vacate my position here and turn over our presentation to Mr. W. H. Wightman.

Bill has been an industrial relations specialist with the CMA, although he is now in private practice. He is a former member of Parliament and parliamentary secretary to the Minister of Labour. Prior to being a member of Parliament, he was a member of the advisory committee of the Unemployment Insurance Commission and a member of the Canada Manpower Advisory Council, as long as both those organizations existed. For 11 years, he has represented Canadian employers at the International Labour Organization meetings in Geneva and has represented Canada in meetings of the Organization for Economic Co-operation and Development in Paris, France. For eight years, he served as a member of the Ontario Labour Relations Board.

The CMA wishes to assist the committee by offering information as well as opinion. Bill has been a keen observer of your meetings. This, coupled with his involvement in the national advisory bodies I mentioned, will, we feel, enable him to make a useful contribution to your deliberations. Having said that, may I turn the presentation over to Bill Wightman.

Mr. Chairman: Thank you, Mr. Walters. Mr. Wightman, welcome. We look forward to your comments.

Mr. Wightman: As Mr. Walters has said, we do hope to offer some food for thought. May I say too that the opening paragraphs of the submission are complimentary to the committee. Those words were chosen advisedly because we are conscious of the multiple demands that are made on members. In that light certainly you have covered a lot of ground, and we commend you for it.

The submission is organized--and you can tell this from the contents page--so that the first 27 pages of it are intended to be responsive to or to comment on the sections of your interim report. We hoped that might be a useful way of organizing it for your purposes.

We have talked in our submission about the paucity of information. I can recall Mr. Martel has used the word "vagueness"

in reference to the information available. He expressed his concern that some was not forthcoming, particularly with respect to the labour market in Canada. We hope we might be able to make some suggestions to you.

As the brief indicates, there is more information available, and we think it is the kind of information the committee should consider. The fact of the matter is big levers, the big programs such as unemployment insurance, are at the disposal of the federal government rather than the provincial government. We feel that your consideration of these questions would not be complete if you were not at least cognizant of that information.

We mention, for instance, a joint submission by the Canadian Labour Congress and the Canadian Manufacturers' Association to the federal government in 1977, which had a very specific recommendation which, if implemented, we believe would have made the available labour market information much more timely, much more complete. If you wish, Mr. Chairman, I have a copy of the text of that statement and we will file it with you.

Mr. Ramsay had questions about exhaustees, and Mr. Cooke about the economic areas under the unemployment insurance system. I recall, Mr. Cooke, your concerns about Windsor having a high rate of unemployment as contrasted to that of Sarnia, but the effect of averaging the two was that people in your constituency had to work a longer period of time in order to requalify. I thought the information provided at the time you put your questions was not particularly complete.

I am not saying that the witness should have come prepared, but I do say that information on that point is available, in particular through a study by the Unemployment Insurance Commission titled, A Comprehensive Review of the Unemployment Insurance Program. It deals fairly exhaustively with the two areas I have mentioned. This, of course, is available through the government, but if for the convenience of the clerk you would like me to leave a copy, I would be glad to do that too. I would only ask that in this case it be returned because it is my only copy.

Still on the question of information which I think is relevant and which the committee might wish to consider, there is a report of a federal commission of inquiry into redundancies and layoffs filed last March. It is not precisely on point, but there are some issues raised there that I think are relevant. Again, if I could have it returned, I can make it available now if you wish to have it. I will discuss with the clerk what material he might want to have.

Mr. Chairman: Thank you, Mr. Wightman.

Mr. Wightman: We are not suggesting, Mr. Chairman and members, that the provincial government or provincial Legislature should do something about what is quite obviously reserved to the federal jurisdiction. What we do suggest is that you have an entitlement to be cognizant of the implications of unemployment insurance and the other programs that are there on this issue. It is for you to decide, of course, how much weight to give this kind

of evidence and what recommendations you might choose to make in light of it.

This leads me to some comments, if I may, on the evidence that has been placed before you in the course of your hearings, and in particular on the individuals. In my personal scale of values, I placed the greatest weight, of course, on those people who came before you and spoke of their personal problems as a consequence of being laid off. That had to be the most compelling evidence and it was useful in that it reminded us, and reminded you, that we are talking about real people and real problems, not some abstract concept. Clearly, that was important evidence.

10:30 a.m.

The next in weight, again by my scale, would have been some of the principal players in the case studies. I have in mind Bud Clark and Bill Heintzman and Jack Jordin and Bill Rudyk. I have balance there, two trade unionists and two employers, but I hope you would agree.

Bud Clark came before you, and here was a trade union leader who obviously makes an effort to get to know his people, the people he is representing. I do not know how you feel about it, but I sat back there and listened, and if I were a union member Bud is the kind of guy I would like to have representing me. He seemed to me a very sincere man, who gave his evidence to you very directly.

There was one point in his testimony, and this is at the time of his second appearance, which I think might be corrected for the record. This is the January 13 appearance, and he was talking about Amoco Fabrics, but at the same time he was talking about the problems of his membership in its totality. He mentioned that they had 825,000 fewer hours worked in 1979 as contrasted in 1978. In the questioning, it seemed to me that he at one time was talking about a company and the other time, on another occasion, responding to questions with respect to his membership as a whole, and that may have been confused; or it might be confusing to anyone reading this transcript.

You recall that in response to Mr. Williams he indicated there had been no major strikes by his union in the last three years, Mr. Williams having asked whether that would have attributed to the shortfall in hours worked in 1979 under 1978. The fact that those remarks are so close to the Amoco Fabrics statements prompts me to point out that Amoco Fabrics in Cornwall, between May 22, I think it was--I checked it the other day; I have just refreshed my memory, it was between May 12 and September 22 of last year--in that period did lose 53,964 man days as a consequence of a lawful strike.

Incidentally, that, coming on top of two previous strikes which the labour board had found to be unlawful, may well have had some bearing on their view of the Hawkesbury climate.

Again, in order to make the record clear, I should point out that the Hawkesbury plant is not represented by Mr. Clark's union,

it is another union. I am not trying to say to you that the figures Bud gave you were in any way wrong, I do not question them, but I think it should be understood that in the industry there was certainly some lost time that was due to strikes.

Bill Heintzman is a type of employer not unlike the chairman of our Ontario division, Mr. Walters, who had just spoken to you. He has his own money and risk and time on the line. These people typify secondary manufacturing in Canada. We think it is very important that any legislation be framed with those people in mind, because they do predominate. We would like to think they will become the Stelcos and Norandas of tomorrow, but they have to have a climate in which to wax healthy. I cannot help but think that you would agree that Mr. Heintzman came before you, and among other things resolutely refused to place blame for any problems his company had on anybody but himself. I thought he was a pretty good witness.

Mr. Jordin, an American, and your very first witness, I thought acquitted himself very well and showed a sensitivity to Canada. I suspect, Mr. Chairman, that in Mr. Jordin's case that may have something to do with the fact that his son and daughter are both here and have elected to be Canadians; but nevertheless, he gave us a very straightforward story.

Bill Rudyk, from Houdaille: there is a gentleman who is a person who has lost his job, one of the people for whom you are concerned, and at the same time he was, I believe, the plant chairman of the union at Houdaille. When he came before you there were several statements I found most compelling. He said:

"The long-term notice everybody is advocating is not so good. Everybody has pointed out to us, as the former speaker did, the mental anguish and what it does to people. If you want a good example go to SKF in possibly another month from now. They now know they have 14 months to go. I think the announcement was made some two months ago. Ask any one of those workers what they think of a long-term notice. Perhaps a long-term notice to FIRRA or a long-term notice to the provincial government is good, but not to the guy on the floor." It was pretty compelling evidence.

Again, on page 34, he goes on. Mr. Rudyk is saying to you that pension portability will be something really important to him, but not so a notice. I will leave that with you.

Far down the list, and I mean far down the list, in terms of credibility and the weight I would tend to give their remarks, are those people whom I would describe as theoreticians, in the sense that the problems are theoretical from their point of view.

I thought Mr. Adamson performed a service. I did not stay for his testimony but I read the transcript afterwards. Judging from Mr. O'Neil's remarks, and those of other members of the committee, they were kind of flabbergasted at his suggestion that every employer should continue the wages and full benefits of any employee that he is going to terminate for a year. It seemed to me that put the proposition in some kind of a focus; it was reductio ad absurdum.

I think somebody has to say this sort of thing, Mr. Chairman. I do not mean it to be unkind to the gentleman as an individual.

Professor Jecchinis was a man who came before you as an expert to talk about foreign jurisdictions and conventions of the International Labour Organization. It seemed to me he was treating his subject as though these other countries were like a supermarket and you could go in and pull one program from here and another law from there and disregard the whole background and history of the country, the mechanisms that are in place and are often so very different from ours. To say the very least I think that is a superficial approach, it may even be irresponsible in this case.

You cannot take a program from West Germany and disregard the fact they have 16 unions over there. We have 24 in the construction industry alone. You cannot take concepts like Mitbestimmung or co-determination, concepts like that, without at least saying to your audience that every German you would speak to, trade unionist or employer, will tell you this is not an item for export, it is unique to their situation. To come before you and suggest that we go through these other countries with a shopping basket and pick something out seems to me rather irresponsible.

I do not think you can look at Sweden without allowing for the inflationary problems they have; and the Netherlands, and the fact they have wage and price controls. All of these countries, incidentally, also have the capacity to export a certain amount of their unemployment because there are guest workers in those countries. I do not think anybody, labour or management in Canada, wants to advocate that we get into that kind of a program, but let us recognize that they have it, that is part of the scene.

10:40 a.m.

Let us recognize, too, that in western Europe trade unionism is top-hat unionism. We have a whole different history over here. It started from the bottom up, and it is still that way. We organize at the plant and local level. It is a different picture in Europe.

Mr. Chairman: I do not want to interrupt but "top-hat" union is new to me. Could you explain a bit what that means?

Mr. Wightman: The action, if you will, the real responsibilities of trade unions, as I view it, are very much more at the national and political levels. As an anecdote I can say this.

A friend of mine was with Philips Electronics. He told me about going back to the Netherlands where he does some training for them there occasionally. He said he had a foreman approach him. He was astounded. He said, "This trade union fellow came up and talked to me right on the floor in the plant." We do not do that here. A trade union is something that happens between the central union and the government, that sort of thing. In a strange sort of way, Mr. Chairman, we in Canada have a longer experience

of what the western Europeans are now starting to go through because of the fact that our trade union history is from the ground floor up.

Mr. Chairman: Okay. I was not aware of that.

Mr. Ramsay: In that same light, Mr. Chairman, Mr. Wightman used another phrase which was new to me of "guest labour."

Mr. Wightman: Guest workers.

Mr. Ramsay: Guest workers, yes.

Mr. Wightman: I am referring to the fact that the Yugoslavians--

Mr. Mancini: It is like sending the Italians back to Italy; when the West Germans sent all the Italians back to Italy. That is what guest labour is like.

Mr. Wightman: Yes, Mr. Mancini. That is very true.

Mr. Mancini: It is disgraceful. It is absolutely disgraceful. First you bring these people into your country, you give them the worst jobs at the lowest pay and then you send them home when your economic policies do not work.

Mr. Wightman: I think, Mr. Mancini, we are unanimous in that we do not want to do that here.

Mr. Mackenzie: We do it with immigrant women and domestics and we do not even give them coverage under employment standards.

Mr. Mancini: That is not quite the same.

Mr. Eakins: I know a couple up in Toronto.

Mr. Wightman: If I may interrupt. That same witness, Mr. Chairman, made reference to International Labour Organization conventions. The brief includes a list of those which the feds regard as being particularly relevant to our trading interests. But I think one cannot come before you, as that witness did, and talk about ILO conventions and disregard the fact that Canada is a little bit unique. We are one of the few countries that when we sign those darn things we try to live up to them. There is a whole story. What I am saying is you do not come before a committee like this and mention something like ILO conventions so blandly or blithely, and just assume that they are being adhered to.

I thought that Mr. Moore, the Windsor industrial commissioner, was being pretty straightforward when he said to you in part, "I continually encounter concerns by people offshore about disincentives to investment and to location in Canada." I thought that was a pretty straightforward statement. He is going around selling Windsor as a good place to locate. He has some strong points to make about Windsor, but he is still saying to you that the disincentive to locate is a fact, that jurisdictional

shopping, as this committee has come to describe it, is a fact of life.

I was impressed that the very first recommendation of the Ontario Federation of Labour's brief, or one of the central points made by that brief, refers to the flight of capital to low wage states. It is at page 3 of their January 1981 submission.

I thought it might be of interest to members of the committee to have a list. This is the state of Alabama and if you write to Alabama and say, "We think we might want to locate a plant there," among other things they will send you back is a list of 41 firms from outside the state, outside the country, that are operating in Alabama. Interestingly enough, eight of those are Canadian, seven of them Ontario based. They are still maintaining operations in Canada, but Alabama, for a variety of reasons is attractive to them. The flight of capital is a very real thing, whatever the reasons.

Mr. Chairman, if you want it, because I would like to be rid of it, I have given you--this is the state of West Virginia.

Mr. Chairman: Thanks a lot, Bill.

Mr. Wightman: Not at all. This is Arkansas, this is Mississippi.

Mr. Chairman: I want Arkansas for the weekend.

Mr. Mackenzie: I do not want any of them.

Mr. Wightman: You may not want them but you would be ill advised to fail to recognize the attractions they offer, without passing judgement on them, good or bad. One of the kinds of attractions that struck me in the case of Mississippi has to do with an institution down there known as the Industrial Development Training Institute; massive efforts to assist companies locating new operations in there to train people in advance of the opening of the operation. I think that is a pretty progressive notion and, if I may, I will leave that with you.

Mr. Chairman: Bill, I do not want to break your train of thought. I am interested in Alabama and the seven Ontario firms. If you know this offhand, I would be interested; if it means looking it up, do not worry about it. I am just curious about what Ontario based firms are now operating in Alabama.

Mr. Wightman: I have marked them on the list but do you want me to read them to you?

Mr. Chairman: I am just curious and I think the committee might be interested too.

Mr. Wightman: Blue Giant Equipment Company, Dothan Eagle Incorporated--I do not know whether you are interested in the line of business. Blue Giant is materials handling equipment, Dothan Eagle is a newspaper, Thomson has three newspapers down there. Jax Mold and Machine Incorporated--these are car molds; MacMillan

Bloedel, of course we know them; Moore Business forms; Opelika-Auburn Daily is another newspaper; Phenix Citizen Herald, obviously another newspaper; Robertson and Associates of Alabama, a division of Robertson and Associates of Toronto, bituminous coal mining.

Mr. Chairman: Thank you; I was just curious.

Mr. Wightman: I think the point is that the investors, the people who are controlling the levers, whether they be Canadian or American or whatever nationality, this is supportive of the fact that they will put the money where the money is likely to be safest for investors' money and where it is likely to have a chance of return. That is all I wish you to draw from the evidence.

At this point, if I may, I would like to make two observations about the work of the committee, the questions before it, and their effect on our collective bargaining system. I think any objective assessment of collective bargaining in Canada over the last 15 years would lead one to conclude that the collective bargaining has deteriorated.

10:50 a.m.

I would go on to say that too often labour and management take the rap for that deterioration, and inappropriately so. I think, in particular, the federal government has been guilty of trying to lay the blame for progressive deterioration in the system on the parties, labour and management.

I would suggest to you that one of the real pressures that collective bargaining has been under is a direct consequence of the increasing layer upon layer of standards legislation and other legislation, social legislation, all of which serves to make smaller the pie that is to be divided, and the smaller you make that pie the less room in which the parties have to find an accommodation of their interests. I think it has become a progressively serious pressure on the collective bargaining system, one which we should all worry about.

Incidentally, it was fortuitous that yesterday the newspapers carried the story of the Supreme Court decision regarding a matter in New Brunswick involving the Saint John, New Brunswick, school board. The question was whether the union had an obligation to carry a complaint of unfair discharge on behalf of a probationary employee. The labour board having jurisdiction down there apparently said they did, I believe a court in New Brunswick said they did, the Supreme Court said no, the contract is the contract, that is the deal.

That is an encouraging sign for those of us who believe in collective bargaining, and certainly in collective bargaining to the extent that the parties can themselves find an accommodation and should be left to do it. You introduce standards of various types with the avowed intention of protecting the great unwashed, those people who are not subject to the provisions of a collective agreement. I think that is the way it should be and if that is the way it was, if employers and unions knew that when that

relationship was established it was up to them in large part to establish their own ground rules, to find their own accommodation, that would make the prospect of collective bargaining a good deal more attractive to employers and would be very helpful to the system.

I had better make another comment about the impact of these proceedings on collective bargaining that concerns me a great deal. It has to do with the propensity to go after Speaker's warrants. I was pleased to hear this morning that people from SKF were going to come here at two o'clock this afternoon; I am sure that they will make the point. May I just say this about it.

I think that whether it is a case of the committee being used, in the sense that it is drawn into the specific negotiations of a company, or whether the committee insinuated itself by asking for that warrant, asking for information, either way you are doing damage. It is a dangerous road to go down to get involved in specific negotiations.

I feel this particularly because the 300 employees, and more, who happen to be involved in this thing, who are potentially going to get hurt, are people who are in a riding which I had the privilege of representing in Ottawa for a brief period of time and it really does concern me. I think that the committee should give thought to that. As I say, I am very pleased to hear that the SKF people are going to appear before you this afternoon and perhaps they will deal with that more fully.

Maybe I could conclude with this. I referred earlier to the OFL submission and their first proposition calls for full employment, jobs, and I think that is what we are all interested in and we all agree. The answer to the problem is jobs, not indemnity.

Full employment is rather like the hole in one in golf. You know you are not going to get it every time you tee off but you bloody well try. It follows in my mind that there is no place for the siege mentality, for fighting over who is going to get the lifejacket because the ship is going down, in any industrial strategy that has in mind the goal of full employment. That is no place for defensive mechanisms and programs that presume the worst is going to happen, and programs that, notwithstanding that, do not do anything to address the problem.

I have always thought of people as an asset, not a liability, and surely industrial strategy, whatever that means, should accentuate the positive. It should embrace efforts to train and retrain people, to make them job-ready and job-available. That is the emphasis we should be putting on it. Surely it should be based on an underlying philosophy, not of defeatism, but that we are going to maximize the opportunities that are available to us, maximize Ontario's natural resources, whatever they are, and opportunities that come along. It should be positive in its thrust.

As I say, the focus should not be on indemnity, but rather on jobs. It is not just for the sake of increasing the productivity and the pie to be shared, but every bit as much for

the sake of the individuals, for the enhancement of human dignity and the feeling of self-esteem that arises from having a job and paying one's own way.

Too many people, it seems to me, have come before you--and particularly the theoreticians--talking about how we divide the spoils after the holocaust. I submit to you that, rather, we should be talking about how we encourage new jobs, new technology, in this province, for the goal of uplifting our own people. That should be the thrust. Thank you, Mr. Chairman.

Mr. Chairman: Thanks very much, Mr. Wightman. Members of the committee, we have ample time for questions or comments. Mr. Ramsay is first on the list.

Mr. Ramsay: Mr. Wightman, you just touched on unemployment insurance being used as a tool. Could you elaborate on that point?

Mr. Wightman: Yes, I can. It is developed somewhat in the brief when we point out that a significant percentage of claimants are people who walk away from their employment or who give cause for discharge. Those benefits amount to dollars in the millions--I think we say "megabucks" there--and it strikes me that the provincial legislator is perhaps in a position to give a closer and maybe a better suggestion as to how those moneys might be directed. It might well be your conclusion that the program should be modified in that respect. There are several aspects to the unemployment insurance scheme as it now stands on which I think the provincial legislatures might feel disposed to comment.

Here is one I might suggest. There is a provision in that program whereby earnings are indexed annually and, hence, benefit levels are indexed annually. That provision, by definition, benefits only those people who are at or above the average earnings level in Canada. Surely one would think our first concern should be for the people who are at the lower end of the income spectrum. Since that provision is simply an added cost or tax factor, if you will, why do we have it, when, as I say, it benefits only those people who by definition have earnings at or above the average?

Mr. Ramsay: What about unemployment insurance as a training vehicle?

11 a.m.

Mr. Wightman: As I say, if those funds were freed up, in effect, perhaps they could be redirected into the type of program I was reading about that is in place in parts of the States, where the training is directly related to the respective employer's work.

Mr. Ramsay: Still on unemployment insurance, I missed the significance--and I should have got it earlier in these hearings--of your reference to Windsor and Sarnia. What was the connection there?

Mr. Wightman: As I understand it, Mr. Cooke was a member

of the mayor's committee in Windsor, and I think they approached the federal government because the people in Windsor are obliged to work 16 weeks, I think, in order to requalify; whereas, if the unemployment rate in their economic area was at a certain level, they would only be obliged to work 10 weeks to requalify.

The mayor's committee was saying: "Look, the factory in Sarnia has higher employment. That is not fair to our people." It seemed to me it might be useful for the committee to understand what is implied there, to take a look at the economic areas. Windsor happens to be in area six, I think it is. Or, no--

Mr. Ramsay: In other words, Windsor and Sarnia are considered part of the same area.

Mr. Wightman: Windsor and Sarnia and most of the north shore of Lake Erie. Geographically, it is a fairly big area, although not as big as some.

Mr. Ramsay: The buoyant employment in Sarnia, then, offsets the Windsor situation.

Mr. Wightman: Yes. I suggest that you would come to the conclusion that the whole thing is a bit idiotic. Ottawa is in area nine and right across the river in Hull we have another area, so what happens to two people working at the same plant and living on either side of the line? I understand there are the same problems down in the Maritimes. A municipality may have a very low rate of unemployment but in the surrounding area it is high.

Mr. Ramsay: You expressed concern over the use of the Speaker's warrant, and I have some concerns about that too, but I have no objection to the Speaker's warrant being there as an invisible club, so to speak, over the heads of people. I do not think we should use it unless we absolutely have to, but at least it is a useful tool to have there.

Mr. Wightman: Mr. Ramsay, I hope I did not sound disrespectful of the committee or not mindful that you are trying to use the Speaker's warrant judiciously. I think the precise point I was trying to get at is going to be dealt with by these people from SKF this afternoon, and I certainly hope so.

If I may say this about it, that sword of Damocles, as you suggest, is like any sword: It can cut two ways. There may be some beneficial effect in having that potential there, but might it not also have a potential for turning off people who might otherwise come forward with rather important information for you?

The other thing: Look at what has happened with the warrants that were issued, starting with Armstrong Cork. That man came before you and said they had lost money over a period of--I have forgotten how many years--and his credibility was questioned. He filed the information and at least one member, in light of this information now in front of you, expressed surprise that the company had carried on as long as it did. In other words, the man had been telling the truth.

We go to the second one. I guess the next one was Essex International. I think the contention there was that even after the closing of the Dunnville plant, by virtue of the fact that the company had ceded to the St. Thomas plant the exclusive manufacture of some product line, the balance of exports to the US was greater than the amounts imported from the company, the same company. That was questioned and they were required to bring forth evidence. I did not see that, but I think I have heard that, in fact, their exports do exceed their imports. Is that not correct?

As I said, there is a danger that using warrants in that fashion will turn off people from appearing voluntarily before committees. The other thing is that people who are onlookers, potential investors, may be a little bit disquieted about this kind of thing.

Finally, I would point out that the whole crux of this committee was to talk about the justification of closings. This committee has demonstrated that the Legislature of Ontario has considerable power in terms of bringing people before it to justify what they have done. I do not know that you need a new forum.

Mr. Ramsay: I think Mr. Martel has a supplementary.

Mr. Martel: I want to go back to SKF for a moment. In fact, as you will recall, SKF made a concerted effort to not come. Nobody wants to use Speaker's warrants willy-nilly, but, if you will recall, our clerk tried to get them to come starting about November 8, and by December 7 he had still not been able to find anyone to come to respond or even to talk to the committee. It was only when we had a Speaker's warrant requesting the books from their auditors that SKF came. Sorry, not SKF; Essex.

Mr. Wightman: Essex. I recall that.

Mr. Martel: I do not think anyone wants to use Speaker's warrants. We hope that sort of procedure will not be necessary. I agree with you: You do not make any headway by confrontation. But surely you would agree with Mr. Ramsay and me that there are occasions when they are going to have to be used, where we just do not have a choice. I do not think any committee would want to use them willy-nilly.

Mr. Wightman: I accept that, Mr. Martel. Again, if in any way I suggested that you have been improper, I assure you--

Mr. Martel: No, I am not saying you suggested we were being improper, but from where we sit, when we have that sort of difficulty, I am not sure what other option we have. If, as a committee of the Legislature, we invite people to come forward and talk to us, to tell us what their problems are so that we can try to find solutions to the problems facing the province, and they do not come, what other recourse do we have? That is the position I am taking. What if someone says: "No, I am not coming. To heck with you"?

Mr. Wightman: I differentiate the Essex situation from

that of SKF, where people from the company did come before you and invited you to consider the potential harm that could be done to the ongoing collective bargaining; and, indeed, harm. Whether they said it or not, my concern is that the people who are going to be harmed are those 300 or more who are going to go.

Mr. Martel: Yes, but they are going to be harmed anyway. That is the problem.

Mr. Wightman: Less, I would hope, if those parties negotiate.

Mr. Mackenzie: As an addition to that supplementary, just briefly, I think an even better example of the potential of it, whether people like it or not, is the auto report. There is no question in my mind that that report would not have been turned over to this committee by the Treasurer without the threat of a Speaker's warrant. It was not used finally, but that is what brought it to this committee.

Mr. Turner: I would disagree with that.

Mr. Mackenzie: Well, he sure tried awfully hard.

Mr. Turner: No, he didn't. Nonsense.

Mr. Martel: Let me give you an example. I sat for four years on a select committee that studied economic nationalism and we tried to get Speaker's warrants occasionally. We tried to get Speaker's warrants in those days, John, and because it was loaded over there--

Mr. Turner: We are concerned with this committee and that is ancient history.

Mr. Martel: No, it is not.

Mr. Mackenzie: You have been here too long.

Mr. Martel: It is only because we have a minority government--

Interjections.

The Vice-Chairman: Could we have a little order here please?

Mr. Eakins: A splendid chairman.

Mr. Martel: The very guys who talk about freedom of information would not give us the information.

Interjections.

Mr. Ramsay: I was glancing through the brief you did not read, and I must admit that I may be taking this out of context because I have not read the whole brief, but I notice that on page 21 you say, "On January 1977 a joint submission of the Canadian

Labour Congress and CMA"--that intrigued me, when you said a joint submission--"recommended to the federal government a simple system of compulsory notice of hirings as a means of dramatically reducing...time lag and...avoiding hundreds of millions of dollars in overpayments."

Did this joint submission deal at all with any of the issues before this committee now?

11:10 a.m.

Mr. Wightman: In a direct sense, only to the point specified in the brief, but perhaps indirectly it could have had implications.

Incidentally, Mr. Ramsay, it is a very short document and I have filed it too.

The points that were dealt with in that joint submission, I think both parties are quite prepared to admit, were perhaps humble issues in the eyes of the government, but they are important to us. I think we were rather satisfied with ourselves, that here, indeed, the senior employer organization representing manufacturers had been able to work with the Canadian Labour Congress and for once address issues that they had in common. What we were trying to do was define areas of agreement for the benefit of government policymakers in Ottawa. Had that activity been encouraged, Mr. Ramsay, I am not sure how far it might have gone.

Mr. Ramsay: I wonder if that same thing could happen here today, at least in the present-day circumstances of this committee? I would be intrigued--I use that word again and I am sorry--to see a joint submission by the Canadian Labour Congress and the Canadian Manufacturers' Association dealing with the problems this committee is dealing with.

Mr. Wightman: Obviously, sir, I cannot speak for the congress today, but I will put myself in the odd position of making a bit of a defence for them in saying this: That effort was not well received, in my view, by the government of the day--we were stonewalled--and subsequent efforts by the government to bring parties together were not very well handled. I think there would be a good many people in the congress who feel they got rather badly burned, and there would be a reluctance because of that to come together for a joint effort, if it were on a government initiative.

The thing that differentiated this exercise in 1977 from any other so-called joint consultation is that it was initiated by the parties. In fact, Joe Morris and I talked about it in Geneva at one point. It grew out of a recognition that I guess everybody in the industrial relations community shares, that over time in dealing with certain union officers some kind of confidence has to be established between the company and the union representative; otherwise you would never get an agreement. There are a number of areas, unstated perhaps, in which both parties know where they stand and appreciate their respective positions. Again, you cannot

get an agreement unless at least momentarily you can put yourself in the shoes of the other fellow.

Building on that, we finally got the executive committees of the two organizations to agree on the four or five points that are contained in that submission.

Mr. Ramsay: I would like to see that, incidentally, Mr. Chairman. I think we should get copies of that.

One final note along the same vein: It has been quite obvious in this committee--at least, I feel it has been fairly obvious--that the unions have problems balancing the divergent interests of their members. Would you like to comment on that?

Mr. Wightman: The comments on that in the brief really reflect on this federal study that I am leaving with you. They call on the unions to develop some means for what would effectively amount to portability of seniority rights.

I mention that because you will recall, again, in the Essex case, that you had two different unions representing the plants at Dunnville and St. Thomas respectively. You recall the Dunnville employees who were before you talked about the fact that there was a lot of overtime being worked at St. Thomas, that the plant was going like crazy. Someone asked, "How many people have gone from Dunnville to St. Thomas?" I think there was direct evidence that only one or two had gone and that others could have perhaps, but, in that they were going to be at the bottom of the seniority list, they felt it was too risky. They would stay at home and continue to look in Dunnville.

Seniority is one of the issues that I think most employers are disposed to leave to the union to determine, in so far as it is plant-wide or departmental or perhaps company-wide; that is, transferable between locations. On balance, most companies will be content to let the union decide how it wants that seniority to work. Again, it is a knife that cuts both ways.

My point is, sure, the union has a responsibility to look after its own, but it was a little bit unrealistic for the federal study to come in and blandly suggest that, because a man like Bud Clark is going to have a bit of difficulty. Even if the St. Thomas and the Dunnville plants had been represented by the same union, the people at St. Thomas would be a little reluctant to have somebody come into the plant and be well ahead of them on the seniority list.

The Vice-Chairman: Mr. Wightman, I think I am next on the list. You were talking about the Speaker's warrants and how we should be careful in how we use them. What would you and your organization recommend to this committee for when you have a plant like SKF that pulls out, lets its employees go? What should we be asking from a company like that? Do you think it should have to justify in any way its closure?

Mr. Wightman: Again, as I recall, in the case of SKF it was not a problem of notice. I think there was 14 months' notice.

The Vice-Chairman: Well, Essex is another one. Just generally, when a company does this, what do you suggest?

Mr. Wightman: My primary concern is the situation where there are ongoing negotiations, or where negotiations are imminent. At that point, clearly, the committee should be extremely circumspect because of the violence it could do the collective bargaining system. Beyond that, Mr. O'Neil, I am not sure that I can make specific suggestions. In response to what I said, members this morning have revealed their sensitivity to the issue and I respect that.

Mr. Mackenzie: Could I ask a supplementary to that, Mr. Chairman? I want to ask you, Mr. Wightman, if you do not think, to use your own phrase, there is also a threat of violence to the collective bargaining process by the almost exclusive management's rights positions in most union contracts that give management total say in terms of relocations or transfers or shutdowns or what have you.

Mr. Wightman: I have always thought that "management's rights" is a bit of a misnomer, but I understand what you are talking about.

Mr. Mackenzie: It is well understood by trade unionists, whether you think it is a misnomer or not.

Mr. Wightman: All right. The rights to which you are referring by and large are really management responsibilities. They are of a nature such that they cannot be shared or abdicated or delegated or put off. They are a responsibility to the investors. If I am investing my own money--or the pension contributions, which, indeed, some of the people were worrying about--the first concern is to know that the company in which I am investing is going to meet its responsibilities. I would strongly advocate that companies use the terminology "management responsibility" as opposed to "rights," which contains the connotation of some sort of prerogatives that really are not there.

Mr. Mackenzie: There is something else in negotiations that with your experience you must also know about. This is jealously guarded by management, maybe for the very reasons you are giving. It is exactly what has led to the many problems we have. It is an area that, whether you like to pick things out of the European system or not, we have at least started to break down a bit. There is much more advanced discussion in the free western European countries over the plans in terms of basic changes of lines, production, closures, transfers, or what not. That is one of the ways they have been able to get around some of the confrontations we have here.

Here, they go into a set of negotiations and try to say, at least according to the most basic way they have, whether it is proper or not, that they want the right to strike during the course of an agreement on major technological change. Boy, you have to strike before you will ever get that, and you will strike for a hell of a long time against most companies.

There may be better ways to deal with it. I am saying that, if you see the other as a threat, I think there is every bit as much of a threat to collective bargaining by this position taken by industry in North America.

11:20 a.m.

Mr. Wightman: I think there are two things that need to be responded to in your proposition. The first is that notion of consultation, bringing the employees and the union into the picture. I would have thought that in many an operation, and perhaps in all, enlightened self-interest would suggest to management that it wants to bring the employees up to speed on what is happening. I think that is good management. I am suggesting to you that it may not be good legislation; in fact, I think it might not.

Mr. Mackenzie: I do not disagree with you on that, but I just have not seen it in my experience. Maybe it is too limited.

Mr. Wightman: My experience is certainly not totally comprehensive, but I have seen a good deal of it, enough to encourage me to suggest that we are likely to see more rather than less of it and on a voluntary basis.

The specific example you mentioned was the demand on the part of the union to be able to strike during the currency of a collective agreement. I would just say with respect to that, that is one of the issues that differentiates us from European countries where there are no fixed-term agreements. I am not saying their system is better than ours or worse than ours; I am just saying it is different.

Mr. Mackenzie: I am not saying that is the answer either, but I understand the frustration that leads to that kind of a demand and I understand it clearly.

Mr. Wightman: On that issue, we in Canada have the benefit, I suppose, of looking at the American system which did go on the basis of no contract, no work, and did permit strikes during the currency of an agreement, but we found that over time, in virtually every collective agreement in the US, the company and the union came to an agreement on a provision that there would be no strikes or lockouts during the currency of the agreement.

When law was framed in Canada, they said, "Well, there is an area where you do not need to have a strike, because what is going to arise during the currency of an agreement is likely to be a question of the interpretation of the collective agreement, and that is a matter of fact and that can be adjudicated. It is not like an interest dispute."

The Vice-Chairman: What did you mean when you said that there are no term agreements in Europe?

Mr. Wightman: Our law says--and I think this is true throughout all Canadian jurisdictions and, I guess, the US as well--that a collective agreement between a union and a company

must be for a period of no less than one year. In the western European settings, there may be a document but it is of no time significance at all. If the union thinks it has enough muscle, it goes out again, I guess.

To my mind, one of the dangers in having a situation where a strike can be called at any time is that in our setting, the company views the union as offering it really only one thing. That collective agreement gives you a degree of certainty as to what your costs are going to be for the year or two years or whatever the length of the agreement is. If that certainty does not exist, you are going to have very little inclination to sign a collective agreement.

I happen to think our system is at least preferable for us to the way they go about it in the European countries.

Mr. Mackenzie: If I can just respond to that, one of the problems that I am not always sure is understood--even on management's side and probably to some extent, because the unions do not talk out loud about it, on the unions' side--is that there is a fair amount of what is generally known as rank-and-file pressure. The average union administrator, the average union staff person, the average union leadership--I say "average," really, collectively, would much rather have the contracts for a set period of time because it gives him some ability in terms of servicing, training stewards and committee members, knowing what they have in their hands, knowing when they have to look at what can be a costly and tough proposition, both the collective bargaining and the strike situation. They would prefer that.

What is happening is that, because of the discontent at the rank-and-file level--and I have seen an awful increase in it in the last two or three years--you will get the people in the plants and in the shops and in the offices challenging the leaders if they are not pushing for something that opens it up so that they have some say in major technological changes. It is not because it is the union's desire to move that way, but it will respond--or else it is not a responsible union--to pressure that comes from the membership. That is what is starting to happen in this country.

Mr. Wightman: I accept what you say, Mr. Mackenzie, and I would like to think that, at least among the people I know, there is indeed an appreciation of the pressures that the union leadership can be under. I think we have a joint educational job and a pretty massive one.

The way the system now operates, legislation such as section 60 of the Ontario Labour Relations Act--I am not saying we should do away with it--puts pressure on a union, or on the stewards certainly, to proceed with a complaint which may or may not have any basis at all. Our system, I am afraid, the way it has evolved, is such that the union leader who wants to act responsibly in the face of all things does so sometimes at some jeopardy to being re-elected. I think we have a joint education job, Mr. Mackenzie.

Mr. Mackenzie: Some of that may be because, in spite of what some of my opponents would say, we have not had the kind of

political clout here that they may have in the trade union movement in Europe in some cases. Also, while there are good and bad employers--and I suppose you could make the same charge about unions--we are still in a basic fight in many areas of this province: We do not have over half of the work force organized. You only have to look at some of the recent decisions of the Ontario Labour Relations Board--and thank heavens we are getting a few that I, at least, consider a little more progressive; that obviously shows my bias--to see the kind of resistance to trade union organizing that exists.

I have done a fair amount of organizing in my day and, let me tell you, I do not think I ever organized a plant where I did not have petitions. Many years ago when they got before Finkelman or somebody at the board, we were able to have them thrown out because they came either from the company lawyer or some foreman going through the back door to the employees. But you still have resistance like you would not believe, even against organizing.

Mr. Wightman: This is one of the things I have suggested. If you give the collective agreement and the bargaining system primacy over some of this legislation--and I hope that Supreme Court decision points us in that direction--I think you are going to make the prospect of having one's employees represented by a union far less threatening to the employer than is now the case.

Mr. Mackenzie: I don't know. You could take what I have experienced in terms of trying to organize. You could also take the fight that we had--not only my union, but I think my union was one of the major ones involved--to get legislation for safety and health. That is the route we had to go, Bill 70. My God, it not only took a hell of a lot of agitating, but it took the Ham commission--that was probably the catalyst more than anything else--before we got legislation that gave us anything at all to fight with on the shop floors.

You would get the odd, maybe even more than the odd, company that was pretty damned good in terms of safety and health committees and their attention to problems, but you had one hell of a lot also where you could not get to first base with them. You are talking about layers of legislation. We were forced to go the route to get a decent piece of legislation.

I do not know whether I really want everything legislated. We seem to be in a position of arguing for it on our side most often because we are trying to respond to specific problems and pressures that are there. I guess what I am saying is that I do not know that we got very much of it voluntarily.

Mr. Wightman: I will concede that things like air pollution or water pollution are not the types of issues I had in mind as being exempted from legislation.

Mr. Mackenzie: Even safety and health was a pretty basic plant situation.

Mr. Wightman: I was surprised to note--I think it was

two years ago when I was looking at the figures--that the percentage of the nonfarm work force in West Germany is not very much higher than in Canada. We labour under the impression that everybody is in a union somewhere in western Europe, but that is not the case. I cannot give you figures right now and I would not want to attempt to, because it would be a guess and I do not want to guess, but certainly a couple of years ago when I last checked there was not that much difference.

The difference, as I saw it, was the role that the unions sometimes envisage themselves playing in the western European countries. In the federal German republic, the entire unemployment insurance area--indeed, what we in Canada call the Employment and Immigration department; those functions of the labour market, employment and unemployment insurance--is subject to a supervisory body, a very substantial one, of labour, management and government representatives, but principally labour and management representatives.

They set the rates, they set the ground rules and they play a very instrumental role in the operation of that program. The trade unions in West Germany operate, I think, the third largest bank, or one of the biggest, but they have a much broader role than going to the mat every two years.

11:30 a.m.

Mr. Martel: They have a larger role in everything. That is what I find strange in our society.

It is to the advantage of the guy in the plant to make sure that plant continues to run and make a profit if he wants a job. That is why he wants a say, because he can offer a lot of good advice. Good companies have suggestion boxes. I know at Inco, for example, all kinds of excellent suggestions that have saved the company money and made it money have come from the rank and file.

There is a confrontation constantly there, that for some reason those guys out there in the plant are not really involved, outside of the sweat of their labour. It is management's money, it is its company and, therefore, you should not involve the workers. I think that is wrong. That is why you see so few strikes in Europe compared to Canada.

Mr. Wightman: I would say this. I did not talk about their involvement in the company. I suppose if there is an involvement in company decisions it would be through that German concept of Mitbestimmung. But I sat with the labour committee at a plant over there. Again, I am impressed by the fact that the Germans themselves say this is not an item for export. It "works" but under a very special set of circumstances, and I think the jury is out as to how well it works.

The reason, I submit, among others, that organized labour has the extensive role that it has in West Germany stems in part from the fact that a good many of those people, union leaders and employers, walked out of the same prison camps in 1945 and took a look around and said, "My God, we have to re-create this rubble."

You have that. You have a recollection in the minds of Germans of the terribly devastating effects of inflation in the 1920s.

I was in Bonn not very long ago--well, it was about three years ago now--talking with some parliamentarians over there. There is a Social Democrat, Free Democrat coalition running the country, worried as can be about inflation but deciding that maybe it has to allow a certain amount of it or a couple of the other common market countries are going to go down the chute.

Mr. Martel: But it is a different environment.

Mr. Wightman: We do not have that attitude over here.

Mr. Martel: That is what I am saying. Our environment is wrong. It is one of constant confrontation.

Mr. Wightman: And there are constant programs upon programs which lead to more inflation.

The Vice-Chairman: We were talking about disclosure and we got off that subject a bit, but I think that what you are suggesting, what has come out here, is that there should be more talking between unions and companies.

Let me ask you this. We have had situations like those we were talking about, where some of the multinationals have set up operations in Canada and then, because of the present situation in the world, find that they should draw some of that manufacturing capability back to the States, so they close their Canadian plants, move back to the States and keep the plants there doing full guns. Does your association agree with something like that? What sort of suggestions do you make to your members, some of whom may even be some of these multinationals? Is it fair that they close down their Canadian operations? Right now they are totally free to do it. Is that right, or do they have some obligations?

Mr. Wightman: Mr. O'Neil, with respect, I would want to know the specific case, that that was in fact the situation.

The Vice-Chairman: It is easy to see you have been in politics for a while.

Mr. Wightman: It was a very short while.

I think one is entitled to say that one would want to know the fact situation because, in truth, I do not see the nationalistic attachment. Given the same fact situation, it strikes me that a Canadian investor is going to take the same kind of decision as a foreign investor vis-a-vis a plant in Scarborough West--given the same fact situation. Our investors are not any dumber. They are not going to do something out of a nationalistic fervour that is going to jeopardize the investment. They take the same kinds of decisions.

Mr. Mackenzie: Capital is capital, if you want to use an old slogan.

Mr. Wightman: It is the capital of your workers, Mr. Mackenzie. It might be their pensions that are on the line.

Mr. Mackenzie: The national element has to come in, though, where there is some national interest. That is one of the things we face with with the branch plants we have been dealing with.

The Vice-Chairman: Are you suggesting, if there is a plant in Kingston and a plant in Windsor and they see that it is uneconomical to operate the two, and they pull back in the Kingston plant and operate only the one, that we should not be looking at it as a nationalistic or border situation?

Mr. Wightman: Not if it implies continuing to operate a losing operation in one locality or the other at taxpayer expense of some other expense. No, I do not think that serves the national interest.

The Vice-Chairman: Of course, it might come down to who decides or who has the control. What share of control do Canadians have? Who makes the decision whether they move back there or they all move here?

Mr. Wightman: You were suggesting a situation where you had two Canadian locations and one was unprofitable, and the prospect was of moving that and consolidating in one location.

The Vice-Chairman: What I am saying is that if it is American-controlled the decision is definitely going to be to their benefit. They are going to decide to move back there and not stay here.

Mr. Wightman: That might be, but what I am suggesting, Mr. O'Neil, is that Canadian investors, if it were Canadian-controlled, would make the same kind of decision. They are going to make the optimal decision to protect the shareholders and, indeed, the consumers and everybody.

Mr. Cooke: Mr. Chairman, I have a few questions. I was not sure of the point you were making earlier on the UIC districts or whether you were just providing information.

Mr. Wightman: I make the point only that when the concept of area rates was first discussed there were a good many of us who questioned the efficacy of it. In the abstract, you can say, yes, it makes sense, but you have to draw those lines on the map somewhere. To illustrate the point, I mentioned the situation where you have two people employed by the same plant but one is living on one side of the Ottawa River and the other on the other side of the Ottawa River. They would find themselves having to meet different criteria. No matter where you draw the line you are going to run into that anomaly.

Mr. Cooke: The only point I would make is that I remember a bit of the history of the changes in UIC over the last number of years. Each one of the changes was an attempt, first by a Liberal, then by a Tory and now by a Liberal government to make

unemployment insurance more restrictive and provide fewer benefits. That is why we are into the problem we are into now where areas of lower unemployment are penalized. The districts, as I understand it, were originally set up because there was considered to be mobility within those districts, although that does not always apply and, certainly, it does not apply in our case.

The only point I am making is that the study to which you refer was another study to give governments reasons and studies to show that unemployment insurance should be made more restrictive and cut down the cost of unemployment insurance.

Mr. Wightman: The study was done by the commission and I am not prepared to try to impute what the moral was. Regarding the successive recommendations that have been made, whether by whatever party or by the business community, you would choose to characterize them as trying to make the program more restrictive; I would have thought they were intended to try to make the program do the thing it was intended to do.

What we have wound up with is a program that, to my mind, is topsy-turvy. Look at the report and you will see that benefits are flowing to people who have above-average incomes. My earlier point was it seems to me our first concern should be for the people at the lowest end of the income spectrum. That annual indexation of insurable earnings builds in an assurance.

Mr. Cooke: The only problem I have with that theory or that philosophy is that unemployment insurance is an insurance program. It is a universal program and, therefore, unemployed people are entitled to it. To make it restrictive would also make it more of a welfare-type program and you would get all the connotations that go with that type of a restrictive program to the people that are collecting it.

11:40 a.m.

Mr. Wightman: Right. I am not suggesting at any rate that it be income-tested, particularly. I accept the point that you are ensuring the job. You are ensuring employment. What I am saying is that specific provision of the program redounds to the benefit exclusively of people who by definition are at or above the average income of Canadians in the nonfarm work force. I think that is wrong. I think it should be repealed, and I hope it will be because our first concern should be for the people at the other end of the spectrum. The same applies--

Mr. Mackenzie: The UIC is not what we used. What you are saying, in effect, is that some kind of redistribution of wealth is needed in these cases. You would not get any argument from us whether you would accept that as a philosophy or not. But for a guy, even at a \$30,000 income who is paying his UIC and who has a family, suddenly the effect can be just as traumatic. He might not even be quite as capable of coping with the situation when he is out of work because of a layoff or a shutdown.

I know I have had them at that level, although I get a lot

more at the low income level who come into my office. He has got the bills. He has got the mortgage on the house. He has got his kids at school. All of a sudden, after making a relatively decent living compared to a lot of people, he has no income at all. He still has the bills and the mortgage and everything else to pay.

All I am saying is that the UIC is an insurance scheme that serves a specific purpose. If we are going to take a look at the inequities that are there, I think we should look at something else to take care of them.

Mr. Wightman: Yes. You have just said that he also had \$30,000 a year in income over the past several years. I am suggesting that he is better able to withstand the problem. I trust you are not suggesting that you are more concerned about the people at the 30-grand level than the low income people.

Mr. Cooke: He is not making \$30,000 any more.

Mr. Mackenzie: Let me tell you, I am probably a lousy manager, and I do not booze it up, do not smoke and do not do a lot of things, but I do not have a hell of a lot of money ahead of me either at any given time. That is part of having a good-sized family, I suppose. I can understand what could happen to a person.

Mr. Wightman: I could tell you the people of Scarborough West left me pretty high and dry when they decided to disemploy me. I am trying to build a career now.

The Vice-Chairman: Could we get off these personalities, please.

Mr. Cooke: I have not had a chance to read this entire brief. I notice on page 30 you make some reference to skills training. I also noticed in last night's Toronto Star, one of the reactions from--and I forgot the individual's name--someone in the Canadian Manufacturers' Association about apprenticeship training in that legislation forcing apprenticeship training was opposed. Yet in your brief here you talk about a grant levy system which would obviously involve some legislation.

Mr. Wightman: I am not familiar with the newspaper to which you refer.

Mr. Cooke: I wish I had brought the article with me, but I did not.

The point in your brief then is basically supporting a legislative response to the problems in the skills training field right now.

Mr. Wightman: We are saying that the committee could well look at a levy granting system. The concept that--

Mr. Cooke: I would like to cover the common ground. We have been pushing for a grant levy system for quite some time.

Mr. Wightman: I am merely saying that it is something

that we should look at. If I had had some of the material from the United States available, the CMA committee would have looked at that, too. Both should be looked at with some care. The feature of both the levy grant system and the type of thing that I am tiling here is that it is very job-oriented, if I can put it that way. They are training people for jobs that will exist. It seems to me we have had a history where, though well-intentioned, a good deal of our training has gone into--

Mr. Cooke: Especially some of the federal manpower retraining programs. It simply amazes me that some of the people who--and I do not blame the individuals, I blame the system of training people--find when they have gone through the training that there are no jobs for them. So they go back for another round and get more training. They come out and they find there are no jobs. I have talked to people who are on their third time around the manpower program.

Mr. Wightman: Yes, sir. I understand that at one time North Bay, Ontario, was the hairdressing capital of the world by virtue of such a training program. There were all kinds of people up there.

Mr. Cooke: I am not opposed to throwing more money into the system in order to try to create some jobs. A lot of the money that the federal government announced a couple of weeks ago is going to go into further manpower retraining programs--about \$350 million. I just wonder whether, if we used the scarce resources that we have now in that program, we could use them a little more wisely.

Mr. Wightman: We are, Mr. Cooke. There is a greater role for perhaps labour, management and, I would suggest, provincial levels of government as well. First of all, the Ontario jurisdiction is four times the size of the feds. They are not dealing with things like airlines, railways and massive operations of that type. They have to deal with those smaller industries that are typically Canadian. I suspect that because of that, there is a tendency for provincial agencies--and I say this in an nonpolitical way--to be a little bit more aware of reality than some of the federal agencies because of the clientele, if I could put it that way.

The federal program had been announced before this brief was written. There is reference to it directly in here. I think that is a clear example that big leaders are not at the disposal of this committee to think about the problem. But the effects of those programs should be considered--unemployment insurance being the prime.

Mr. Cooke: You indicate in your brief and in your comments about the one individual from Houdaille, the plant chairman, I believe, who was talking about notice. I understand the rationale that he was giving, but I do not think that by not giving people notice you will alleviate the traumatic effect of losing your job. In fact, I think that by being able to work a few months--and you have got the notice that you have the opportunity to make some financial arrangements--you have the opportunity to

adjust and accept the emotional trauma that results from the notification. Continuing in the routine while you have been notified does have a positive psychological effect, as well as giving you a longer period of time to adjust to manpower adjustment.

Mr. Wightman: I mentioned Bill Rudyk's testimony, and Bud Clark said much the same thing. They talked about the mental anguish that it induces. I mention it merely to suggest to you that you can have too much of a good thing. Do not go wild and do not assume that more and more notice is, by definition, a good thing--appropriate notice, yes.

There is the fine line and a sort of, I suppose, artistic decision that a legislature has to take. Where do you draw that line? I am just saying not to go overboard on it. We do have legislation in place now that, like it or not, does not exist in other jurisdictions with which we are competing. If somebody characterizes this sort of thing--adding on to the existing standards, yet more--and misquidedly thinks that is leadership, then it is a funny kind of leadership, because if you look behind, nobody is following us.

Mr. Cooke: I know what happened to some of the employees and some of the effects it had in the Bendix case where they were called in the morning and told that they were being given pay in lieu of notice and that was it; you are out of a job. That type of notice--that your job is ceasing immediately--can be extremely damaging to an individual.

Mr. Wightman: I was not present to hear the Bendix presentation. I am at risk of saying something about them that is quite unfair, not knowing the situation again.

If we can take it that they were totally wrong, I would merely make the observation there are probably about the same number of schnooks in the employer group as there are in the union group, or any other group of society. That is reality.

Mr. Cooke: I want to get your reaction. One of the major problems, or the major problem facing Ontario and our country right now, is unemployment. It seems to me that we followed the same type of industrial strategy in this country since the beginning. We have relied on the branch plants, and we have relied on foreign capital.

11:50 a.m.

You did not really talk about any of the aspects of an industrial strategy for this province, of how we can get things moving again. I assume that we probably disagree, but maybe we do not. Our problem and our major concern is the continued foreign investment, the continued reliance on branch plants and how we get around that, and the continued exporting of our natural resources rather than making manufactured goods out of them here in our own country.

This committee is going to have to address that either

before the election or after the election. It will certainly be addressed during the election by this committee.

Mr. Wightman: If we disagree, it is probably on the significance we attach to the nationality of the investor. I just cannot see the concern there.

Mr. Cooke: Just let me address that for a second. When you look at some of the concerns, even in the submission to the royal commission back in 1960 by the Frost government to the federal government, one of the concerns they had is that the branch plants are not allowed to do R and D. They are not allowed to compete with the parent corporation. Their sales are pretty well restricted to the Canadian market in most cases. Obviously the branch plant economy that we have in this province does have a substantial effect on unemployment.

Mr. Wightman: Okay. What I would like to see us doing--and the brief does talk about the demographic forecast, the fact that the baby bulge is now moving through the market; that has some real implications for us, it seems to me, as to where we should focus our attention in the decade to come and following that--is that we have a lot of talent in this country, and I mean cerebral talent as well as the other kinds, and I would have thought we should be focusing on high technology and energy-related activities.

There are signs already of genuine world leadership. If somebody comes here, opens a plant and provides employment, I think we accept it for what it is. But whether or not they do R and D, let us encourage Canadian companies. If the other company does not choose to do it, that is their business. But let us create a hospitable climate and encouragement for Canadian companies. We are now on the leading edge of some of these industries. Let us make darned sure we do not do anything to discourage--

Mr. Cooke: What about a provincial grant levy system in the R and D field?

Mr. Wightman: I do not think I can make a useful comment on that.

Mr. Cooke: I find, Mr. Chairman, that since it looks as if we are not going to have the opportunity to report, I have lost my enthusiasm to get into detailed discussions. Maybe it will be renewed next Tuesday, if we are all wrong. If the election intervenes, I hope that we will re-establish after the election to complete our report. We must address the basic structural problems.

If you have not read that auto study yet, it points to the very serious structural problems in the auto industry which are going to take significant and substantial involvement by the government, perhaps a crown corporation in the auto parts field, as we have suggested, to do R and D, to get involved in sales promotions and to get involved in plant expansions. That may be one angle for that industry. It is certainly an angle we have suggested in food processing and in mining machinery.

I cannot see any other way that is going to work, other than more and substantial government involvement in industry.

Mr. Wightman: Mr. Cooke, in a moment I would like to invite another member of the association to come forward to talk with you a little bit on the R and D question. With respect to your latter comment regarding the need for restructuring--your comments were directed very particularly to the automotive industry. I would suggest to you that each industry is, indeed, unique, or at least unique in some respects.

We heard Bud Clark talking about the problems they face. If you are going to protect the textile industry's long-run market and save it to Canadian interests, you have got to consider high tariffs. Then you run into the problem with GATT. This is where they are taking the beating, he says.

The same thing happens to apply to our friends at SKF. The market for long-run products in that industry is taken in large part by Japanese interests, with the consequence that the plant in Scarborough was left with short-run, higher cost items to make. That was the only market left to them.

I am saying that the situation in those two industries is not, by any means, identical to the automotive industry. It is unique. The auto pact alone introduces different considerations. That being the case, it tells me to be awfully careful about writing omnibus laws or omnibus prescriptions because they just will not apply.

After all, the plea for high tariff protection, I thought, was originally the prerogative of the CMA back 107 years ago, not the CCF or the NDP. But here we have trade unionists from these two industries saying in effect, "You have to have tariffs." We have been moving, and I think correctly so, towards free trade but fair trade--progressively freer trade. We do that in substance but you can only do it in pace with the abilities of our own industries to compete for the market.

Mr. Cooke: The tariff argument applies to the auto parts sector, though, to a large degree, certainly for replacement parts.

Mr. Wightman: I do not take it from that you are advocating a high tariff policy for Canada.

Mr. Cooke: I took a look at a program--it was The Fifth Estate, or whatever--on CBC where they were talking about Japan and I looked at the types of things they are doing. A company goes to look at sourcing more parts from another country and a government official gets on the phone to that country and says to them, "Hold back; we want you to source from our own country." I take a look at the billions of dollars we have in imported manufactured goods and I think we have got to do something in import replacement. If that means for a while that we have to protect while we rebuild this economy, then I guess that is what we have to do.

Mr. Wightman: I do recall a conversation in the

committee about the advisability of emulating the Japanese systems and structures, and so on. At best, I would say it was inconclusive. I do not think there was agreement that we should copy them.

Mr. Mackenzie: I think our frustration was that nontariff barriers were becoming as effective or more effective than the actual tariffs. I want to distinguish between those.

Mr. Wightman: We understand that. May I call forward Mr. Hetherington? Mr. Chairman, Mr. Hetherington is chairman and president of NEI Canada, Ferranti-Packard, and he would like to speak to this question of R and D. He is vice-chairman of the Ontario division of CMA.

Mr. Hetherington: I just felt it might be helpful to the committee to hear a story of a branch plant that has become very autonomous. There has been a transition in Canada over many years from the branch plant philosophy. Our company is not unique in any way, but perhaps it is an example of what is happening to a foreign-owned Canadian company that is operating in both Canada and the United States.

Very briefly, NEI Canada operates two Canadian companies: Ferranti-Packard Transformers Limited and Ferranti-Packard Electronics Limited. We have been in business in Canada since the late 1800s. We are wholly owned by Northern Engineering Industries Limited of the UK, a multinational, if you wish. We manufacture transformers and display electronic equipment. We employ nearly 1,100 people in Canada. We have five plants in Canada and two in the United States. We export 50 per cent of the transformers we produce in Canada. We market them worldwide without any restriction from the parent, who also has transformer plants in the UK.

12 noon

We have unique electronic products that have been invented in Canada, developed in Canada, and marketed freely worldwide. Ninety-five per cent of the electronics products we produce in Canada, we export. We export to Japan, one of our major markets. Our display equipment is in the Tokyo stock exchange. We are not unique as a Canadian company that has foreign ownership inasmuch as we are able to develop our own products, research our own work, and sell worldwide. We feel that this story is not often understood by many, that many Canadian companies do operate quite freely in this area, do their own research and development work, and do their own marketing. Consequently--

Mr. Cooke: You may be a unique company, but I do not think that you are an overall example of the average foreign-owned corporation that operates a branch plant in Canada.

Mr. Hetherington: I did not mean that we were unique, but there are many like us, in that respect. We are not the only company that operates this way in Canada. There are many that do the same. There are many that do not. I did not want to miss the opportunity of making the point that they are not all just branch

plants that are foreign controlled. I think it is an example of the type of investment and operation this country needs.

Mr. Cooke: I do not think that anyone on this committee is saying we would want to see all the branch plants in this country kicked out and owned by Canadians, and have a full range of research and development and all the rest of it in worldwide competition. We know that is not a very realistic position. We would not want to cut off all foreign investment tomorrow. But I would suggest to you that most foreign branch plants operating primarily for the Canadian market are duplicates of the parent corporation, and as a result, do not have a wide range of activities, including R and D and worldwide sales.

Mr. Hetherington: This is evolving and changing.

Mr. Cooke: That is right. We want to change it.

Mr. Wightman: In prescribing for that, though, let us not forget--we have talked about multinational companies as though they were all foreign--there are some Canadian, you know, such as Moore and Noranda. And one can go on. Let us be a little bit careful about the legislation we put in place, remembering that it has the same impact on ours, and, of course, as has been said earlier, it could have very serious impact on a single-plant operation, particularly where it is personally owned, and the owner's personal resources are at risk. We have to be awfully careful, it seems to me, that legislation is not prejudicial to their interests.

I might make this observation too. I am looking at exhibit 64, page two, when Bob White was before you. I notice that he describes what they are asking for in these terms, "Our aim is not only the very important one of providing the workers and the community with a monetary cushion, but also to provide a disincentive--a cost--to closing the facility." On my part, one of the messages we wanted to get across, and Bob has made the point for us, if it is a disincentive to close, it is just as much a disincentive and a cost to somebody who might prospectively open a plant here. And what may be even worse, it can be quite an incentive to the creditors of a company to foreclose early. So let us be very careful.

In other words, these initiatives we are talking about, these new standards, are disincentives, there is no debate about that. That is a fact; it is a question of degree. To what extent is the committee prepared to add further disincentives to new investment, or incentives to the closing of operations in Ontario? I think you would want to work very circumspectly, because, if anything, our emphasis should be to make this province just as attractive as possible, so that we can create all the new jobs possible, for this next decade.

Mr. Chairman: Mr. Cooke obviously has completed. The list shows Mr. Martel.

Mr. Cooke: I was threatened by Mr. Martel.

Mr. Martel: Are you going to continue to talk about automobiles?

Mr. Cooke: It was not just automobiles. Are you going to talk about mining machines then?

Mr. Martel: As you said, we do not produce any.

I am perplexed. You have been here throughout the hearings and the problem is one of structure. In the things you and the other people have commented on, there has been a tendency to deal with why we should not have severance pay, why it should be limited, why there should not be justification, why there should not be a longer period of notice. What perplexes me is that we do not get at the root problem and no one offers any suggestion about the root problem.

You say, "Do not put a disincentive." Well, the disincentives have not been there in terms of severance pay, and they have not been there in terms of long notices in advance of layoff. But we have a million people unemployed in Canada, a country tremendously rich in resources, and we have never utilized them to our advantage, in my opinion. For every job in mining, there are six in manufacturing, I am told. I am no expert but I am told by the people who supposedly know.

Unless we deal with the structure of how we can encourage, how we can introduce new industry, 10 years from now we will still be sitting here, in my opinion at least, because we will not have dealt with the structural problems such as too much foreign investment. I am not opposed to foreign investment, but some of it, less of it, should be in equity. The last select committee recommended encouragement of investment but not equity. We do not deal with the structural problems that are going to guarantee or provide the type of employment we need for our society. In my opinion, the costs will just get higher to everyone when you carry a million people who are unemployed, who cannot buy a new car, a fridge, a stove, and where the costs are astronomical. Nobody deals with that.

We have all kinds of reports coming out our ears. I would have hoped that someone would have come up with some positive suggestions, recommendations that we, as a committee, could look at in terms of creating the type of environment that would lead to further investment in this province. You have been here and we have not heard anything. It has either been from the union point of view that they need these protections in for the employees--I called it a Band-Aid and have been criticized for it--or we have had the Canadian Manufacturers' Association, the chamber of commerce, the Canadian Organization of Small Business, all saying, "No, do not introduce it."

Society picks up the tab somewhere, whether it is unemployment insurance, welfare, job relocation, job retraining, you name it. Yet nobody deals with the gut problem, and that is the frustration I experience here. For example, I listen the nights the budgets come in, whether they be federal or provincial, and you get a response, and I have heard the Canadian

Manufacturers' Association say, "Well, the government is spending too much money." Almost in the next breath though, they say, "But there are no incentives for business." You cannot have it both ways.

12:10 p.m.

What techniques are we going to use to get rid of the root problems: too much foreign investment; branch plants; lack of research; lack of job opportunity; lack of exports? We have heard examples of certain companies doing these things. They all contribute to the gut problem before us and we never deal with it in a way that is going to lead to change.

I do not have the answers. But I know we cannot continue. I sat on the last select committee for four years and I asked the same question then of the bankers, and everyone else: "What do we do?" And there are no answers. Yet we cannot continue to go the route we are going.

Mr. Wightman: I would say first that I do not see a contradiction in the business community lamenting the fact of increased government spending and at the same time saying there are no incentives, because when they talk about no incentives for business they are not talking about handouts implicitly, they are talking about a legislative framework that would be conducive to it.

In your remarks you say you do not have any answers, but I do feel, Mr. Martel, you are pointing the way in which we feel the committee should direct its intention. As you say, if we continue along the line that we are going, with so-called Band-Aid things, and keep piling them on, 10 years from now we may be sitting here deciding which one of us is going to turn off the lights as we all leave. We are trying to suggest that the committee, at this time in Canada's history and in Ontario's history, should properly address itself to new job creation, it should take a positive thrust, not a defensive one, not the siege mentality, not the defence mechanisms, particularly when those defence mechanisms do not address the problem, as you have pointed out.

This is what the search would be for: How do we make it a hospitable plan for investment? Our own investment, because as material filed indicates, Canadian investors are putting in the money, we are getting heavily involved in Denver and Los Angeles and New Orleans and I do not know where. Why? Because they are attractive investment places and that is a worrisome thing. I do not think you are suggesting controls on that kind of thing.

Mr. Martel: No, but my concern is heightened as a result of the latest GATT agreement. I have the feeling that, as tariffs are further removed over the next eight years--you were here when we questioned the professor from the Lakehead and when we had Professor Britton?

Mr. Wightman: I did not hear that.

Mr. Martel: As the tariffs are removed, with the branch

plant here merely a shell in many instances, with some equipment inside, it is very easy to go home, take the equipment and go back home and put another shift on in a larger plant because the Americans are rationalizing, they are closing down plants, making others bigger. That is something we have to do in Canada too, I think: rationalize.

We are not designed, there is nothing in our structure yet that says we are going to get heavily involved in export, because the branch plant does not usually allow that, so that we do not even get into the competition in world markets in a substantial way. Although there are the exceptions: our heavy reliance on the utilization of resources to kind of offset our balance of trade, right from square one where we should be directing our focus, the resources of which we have an abundance and which we do not manage well, which we do not utilize to our advantage well.

Even in Ontario we now give a mining company like Falconbridge Nickel the right to--not the right--they process in Norway and refine in Norway and we allow them to write off their taxes in Norway for the cost of that operation against the Ontario tax. There is something crazy about that sort of law. It is supposed to encourage more development in Canada.

I cannot understand where something that has been entrenched for 40 years is going to change their minds and they are suddenly going to refine here when we allow them to write off their costs over there against what they are earning here. And that has just come in within the last year and a half.

Mr. Wightman: You say your concern stems from the last round of GATT negotiations, and I can assure you that the members of the manufacturers' association have concerns about the conduct of those negotiations.

I can vividly recall meeting two Canadian businessmen in the Hotel des Bergues in Geneva who were there representing the textile institute and the textile interests in Canada and hoping that they might get some word from the Canadian delegation as to what was in the package and how was it going to affect the textile industry in Canada. We just have not had the best of communication between industry and government in GATT negotiations and, as a consequence, we think that a number of industries suffer because of the way it is carried on.

Mr. Martel: There is going to be, I think you will agree, more get up and go home under that structure, particularly when we see many of our branch plants in Ontario are here merely to serve the Ontario or the Canadian market, which is not a large market for industry. My concern is us getting into the world export and how we can help our industry in that direction so that it establishes a Canadian presence that is meaningful, because we are not doing it.

Mr. Wightman: I think, Mr. Martel, you are making an awfully good case for the better tuning of GATT negotiations to Canadian needs and interests, and perhaps also recognizing too that we Canadians tend to play the game above board and we do not

throw in a whole lot of nontariff barriers and other problems. I think you have made a good, strong statement in favour of improving our approach to international agreements on tariffs and trade.

Mr. Martel: Another thing is, as I say, the resources, coming from a resource area. I do not know how to express my frustration when I see the wealth that has left the Sudbury basin and there is not an industry related in the Sudbury area to that resource. There is no mining equipment, there is no copper tubing, there is no nickel plating, there is no copper wire. In fact, we have just said to Inco, "We will give you five more years to consider a refinery for your precious metals." People wonder why. New Democrats get frustrated and take on the stance of really wanting to kick somebody in the head.

We have played the game of giveaway so long and I do not think we have utilized those resources--a country that is the third largest producer of mineral wealth in the world. The Japanese have nothing and they are now putting us to shame. We have it here and there are 34 exemptions to section 113 of the Mining Act right now which means that those resources leave here semiprocessed and so on. We do not use them in Canada to create a manufacturing sector.

It blows my mind, it just blows my mind, and that is why I have ultimately come to the conclusion that if the private sector does not want to do it, then it does not leave anyone but government to do it. I would not tolerate for one moment a situation of a country which is the third largest producer of mineral wealth not having mining equipment Canadian-owned.

Mr. Wightman: Mr. Martel, I am ill equipped, obviously, to speak to the mining industry in general or Inco in particular.

Mr. Martel: I just gave those as an example. They are all the same.

Mr. Wightman: Yes, but as regards Inco, I hope that in the process we will not conclude that Sudbury is the worse for all of the jobs and the taxes that Inco has contributed to that community over the years. I hope that will not be on the debit side of their balance sheet, I think they deserve a certain amount of credit. Like you, I would like to see things further processed in Canada before they go on, but let us not write the company off and say that they are bad actors for having provided a livelihood for several generations, I suppose, of people--I do not know how long they have been up there--and a pretty darned good level of income for them. There is something positive there, Mr. Martel, and I think we would like to have a few more of them.

Mr. Martel: I would have liked Inco, rather than to open up in Huntington or just purchase a new chromium plant, to locate here. I just recently spoke to the president of Inco and indicated to him, because they are heavily involved in battery now, that if they moved to an automobile that is electrically operated--it is not that far away--some of those battery plants had bloody well better be in Ontario.

Mr. Wightman: Where are they locating, do you know?

12:20 p.m.

Mr. Martel: They have not yet, but they certainly--

Mr. Wightman: Are you telling me that they are finding other climates more hospitable? I think we ought to take a look at this--

Mr. Martel: Look what they did in Guatemala. You talk about hospitable, in Guatemala, with a massive layoff, they set the tone. They paid the employees one year's full pay to keep them around. They did not do that in Sudbury when they laid off 2,800 men, but in Guatemala they are paying one full year's salary to every man in the plant. That is what bothers me. The ground rules are played differently, dependent on where you are at.

Mr. Wightman: Are you saying they took a conscious decision to lose money in Guatemala?

Mr. Martel: No, they did not count on oil escalating in the way it has in the last four years, and without the sulphides in the ore the cost of production is higher there now than it is in Sudbury.

Mr. Wightman: That is a most important point. Over the years that I was employed by CMA and representing those people, it was my impression that this is a truism, businessmen and in particular, small businessmen, are taking all kinds of risks, there are all kinds of uncertainties that they are prepared to take, but they do not need more uncertainty. The more constants there can be, the greater the likelihood of an investment being made. I think you have said something close to this.

If the ground rules are known, we will try to play the game within the ground rules. It becomes the job of the legislature to say how much disincentive, how many stumbling blocks you are going to put in the road, but for heaven's sake, once you set the ground rules, leave them that way. I think the Canadian employer gets the impression that if we have got a problem and we have not got a law this morning, wait until afternoon and we will probably have another one. That kind of uncertainty is very bad for business and that is implicit in the sorts of things we are talking about.

Mr. Martel: I do not want to take a lot of time, but I would like to hear some day from your association as to how we go about restructuring the economy of this country so that, in fact, we do have jobs, because in the final analysis that is my interest. I do not like to see a guy have to draw severance pay because, in speaking to many people over the years who are unemployed, what the predominant number of people want is a job with which they can educate their family, they can own a home and be in this society.

That is why I take the position that if the free enterprise system is not going to do it, the supposed free enterprise system is not going to do it, somebody has to. Somebody has to guarantee

jobs, otherwise we are going to pay the price in a whole series of ways that I think are destructive in terms of they do not supply an adequate income, they do not allow you to buy, purchase, educate your kids, the whole business. We have to get the jobs.

I do not know how we do it, but I will tell you we have not had much assistance in pushing for that and how we resolve it, and I guess I am frustrated because with a million unemployed and--as I say, we are the third largest producer of mineral wealth which should be the basis of one of the finest economies in the world.

Mr. Wightman: I do not think we should lose sight of the fact that, as bad as the situation may be, it is factually correct, I understand--I read in the newspaper the other day--we have 45,000 more people employed in Ontario this year than last. We have had a growing labour market as well, and perhaps if job creation in the private sector has not been as rapid as it should have been that should be our target. But I suggest that it is a question of job creation as opposed to one of guaranteeing employment, if by guaranteeing you say you are going to perpetuate industries that do not accomplish anything. You shake your head and you are agreeing with me that we do not want to do that. We have to back the winners; that is what the strategy is.

Mr. Martel: You have heard me talk about mining equipment a dozen times at least--my colleagues get frustrated--but that is just an example of where we should be going and, if we have not gone that route in 100 years and the private sector has deigned not to, who, if we are going to provide the jobs, is going to do it then?

Mr. Wightman: I hope it will be the innovators in our own community, because we have got them. Let's give them the encouragement to take the risk. Let's facilitate them taking that chance of setting up a business so that we don't sell our own people short when it comes to ideas or ability or benefits.

Mr. Eakins: There are just two quick questions I want to ask you--and perhaps I might have missed some of the discussion going in and out here--but I think you talk on page 30 about backing winners, something like what Larry Grossman talks about. How does the small innovator get off the ground if you have to be a winner before you can get some assistance? I am amazed at the large companies that receive assistance, but what about the small fellow who wants to get off the ground and create employment?

We had what was known as the Employment Development Fund--it's under another name now--but in the case of a small fellow who wants perhaps to create 12 jobs, which I think is very important in the small business sector, how do you rationalize going with winners if you have to be a big successful business before you can get assistance? What part does your association play in promoting the small business sector and providing assistance to the small businessmen?

Mr. Wightman: Of course, as an association, they can play no role in the financial end of it itself. They don't have resources to do that kind of thing. They certainly will assist the

small entrepreneur where they can in his efforts to make an application and perfect an application, if you will. I don't know what to offer by way of suggestion as to what happens if, as you perceive it, the small--

Mr. Eakins: You almost have to be successful according to this, you have to be a proven winner, to go with the winners. How do you become a winner if you cannot get off the ground to get to that stage?

Mr. Wightman: How do you get a job if you have to have experience before you can get a job? I think that's the same sort of question you are asking.

Mr. Eakins: I think somewhere there should be some encouragement in the brief or a statement of intention that we have to support and encourage the small business sector to reach that point, because there are many people who are skilled in their fields, but they have difficulty in getting that extra push just to get going, and they can create jobs.

Mr. Wightman: I don't think I would be out of line or making a commitment on behalf of the association--which I have no right to do because I'm not employed by them--in saying that if that kind of suggestion is not implicit in the brief, it should be. I certainly noticed in looking through the material from the other jurisdictions to attract people to their jurisdictions, the whole thrust of their operations is to try to meet the needs of just the kinds of people you are talking about.

Mr. Eakins: Just one last question--I know time is just about up--what role does your association play in encouraging and supporting the apprenticeship system and in making recommendations perhaps to your own members? How important do you see that to be?

Mr. Wightman: Well, it's important. The association's involvement does go back to a time when I was with them, and in particular, because we were representing manufacturers where the skill mix is frankly rather more complex in its requirements than the conventional lines of demarcation of the skilled trades. You know, industry needs machine fixers, and people we might call instrument mechanics, who would be part plumber and part electrician. Some instrument mechanics will work on electrical matters, others on hydraulic things. So the conventional apprenticeship programs, having rather stiff lines of demarcation, are not always very useful to the prospective manufacturing employer.

12:30 p.m.

Some years ago, we began making representations to the effect that there should be block training, the concept of modules, as opposed to the conventional and historical indentured apprentice. We are gratified that that concept has been picked up on in no small part. We see that as the way to go, given that new jobs are coming into existence every day or year, as technology changes, and we see it as a way of keeping pace with changes in technology.

Certainly the old trades are in great difficulty. You know lathers and plasterers are having a great problem because dry wall has come in and that put a lot of them out of work. Changes in technology in the construction industry have meant that labourers are doing more of what those people traditionally did. The machinist is no longer the same as he used to be because he does not use micrometers anymore. The machinery does this sort of thing automatically. Those conventional crafts are in some real difficulties because technology is overtaking them.

The Vice-Chairman: Thank you very much. If nobody else has any further questions, we will stand adjourned until two o'clock.

The committee recessed at 12:32 p.m.

LEGISLATURE OF ONTARIO

SELECT COMMITTEE ON PLANT SHUTDOWNS AND EMPLOYEE ADJUSTMENT

THURSDAY, JANUARY 29, 1981

The committee resumed at 2:26 p. m. in committee room No. 1.

SOCIAL PLANNING COUNCIL OF METROPOLITAN TORONTO
SKF MANUFACTURING OF CANADA LIMITED

The Acting Chairman (Mr. Curetz): I would call the committee to order and we would like to call our witnesses forward. I believe it is SKF with the documents. You are going to be speaking to the question of the documents.

We are pleased to have you before the committee once again, needless to say, and curious as to comments, whatever they may be. It is possibly worth while for the record just to identify yourselves, once again, please.

Mr. Saxe: Thank you, Mr. Chairman. Once again, as I told you before, my name is Saxe. I am general counsel to the company SKF and I appear today before you with my friend Mr. Robin Cumine, who is labour counsel to the company. We are here before you today in response to your request that our client, SKF provide the committee with its financial statements covering the past five years.

When the company first appeared before the committee on November 24, I invited the committee not to request the financial statements for reasons fully set out at that time. On December 1, we reattended before you to consider solely the question of producing the financial statements. As agreed at that hearing, on December 4 I delivered to the committee copies of the court orders and related documents showing that after full consideration, including the filing of affidavits and vigorous cross-examination thereon, the Supreme Court of Ontario five times exempted SKF from filing financial statements pursuant to the Canada Corporations Act.

Since that appearance before you, nearly two months have passed. Your interim report is issued and the deadline for your final report draws near, yet at this late date you have decided to ask for the SKF statements. As I said at the first hearing, SKF will co-operate with the committee. Ultimately, it should be the committee that responsibly makes the decision as to whether the need to serve the general public good overrides the damage that may be done to the company, its customers and the approximate 300 people who look to the company for continuing employment. By making this information public in an environment where SKF's competitors do not have to make a similar public disclosure, this is a risk that you take upon yourselves.

In co-operating at this stage, however, we cannot help but wonder at the committee's motivation. This late request seemingly was triggered not by the committee's need to know, but by request of the employees' union for access to this material.

It is tempting, I am sure, for committee representatives to use the unlimited and virtually unreviewable power they obtain by being here to serve their constituents in a way not otherwise possible. But if that is what is happening, it seems to us to be a serious abuse of process, an abuse most troublesome because it is not subject to review. Such an abuse forms a dangerous precedent, even for those who think they now gain by it. The abuse of unlimited power invites further abuse. Today a committee demands a private company's financial records. Tomorrow a committee may demand a complete review of a multinational trade union's records and its decision-making process. So nothing remains safe from political intervention.

2:30 p.m.

We must hope, therefore, that your request is bona fide and with that hope make one last suggestion. Rather than file the financials with the committee as a matter of public record, we provide your clerk or chairman with one copy to be made available on a confidential basis to any committee member who wishes to see it. That suggestion I leave with you.

Finally, I note that a number of representations regarding the company have been made to you by others. That, my friend Mr. Cumine would like to remark upon.

The Acting Chairman: Thank you, Mr. Saxe. Might I say that I can appreciate your frustration and concern in a general aspect of the extent of the committee's authority and they will be taken with severe review. You are going to be handing over a copy and I would ask other members of the committee--I am not a member, as you well know, of the steering committee and I do not know what previous arrangements were made with the steering committee. So for the interim of half an hour or an hour, the members could have further discussion on the statements.

Mr. Martel wants to make an inquiry, subject to Mr. Cumine. Do your statements follow through?

Mr. Cumine: Yes.

The Acting Chairman: It would be appropriate if we could finish with Mr. Cumine's statement and then have a discussion.

Mr. Cumine: Mr. Chairman, I thought that in view of the suggestion that has been put to you by Mr. Saxe, it would be appropriate, having regard to the comments that appear to have generated the request last week, to correct certain errors and comment on certain positions that have been put forward to you in the presentation that apparently justify the request.

There has been a suggestion made that in some way this company has structured its figures to justify a closedown. That is alluded to almost as an accepted fact by the representatives of the union and I just suggest to you, gentlemen, that is totally ridiculous. Why would a company, under the existing law, not knowing that this esteemed committee was even going to be formed, justify in some way shutting down a 30-year operation, laying off

people, including 30-year employees of management, in some way so that it could fool the members of this committee? It just defies logic; it defies credulity.

There have been numerous statements made by the trade union casting aspersions on the fact that this is a multinational corporation and there are decisions being made elsewhere.

The Acting Chairman: That crossed all our minds.

Mr. Cumine: I have the greatest difficulty, in the case of an international trade union, in wondering where the decision by that union was made, in the collective bargaining structure in this province, to not bargain for termination benefits in the past for these employees.

The committee's interim report indicates that on their examination some 26 per cent of collective agreements and 48 per cent of employees have had, in our collective bargaining process in this province, such benefits negotiated for them. This particular unit, on the evidence of the committee before you, has been known to be in difficulty for years. Where was that decision made?

The suggestion has been made that there is legislation needed in this area and that concerns me. It concerns me as a practicing member of the bar in the labour relations field, it concerns me as a citizen of this province. Is there legislation needed because the unions are not strong enough to compete in collective bargaining? I suggest that is sheer nonsense. What is really being said is that there is some legislation needed because they made a wrong decision in certain instances.

I am concerned, as a citizen of this province, not so much with the fact that the suggestion is made that there be termination benefits provided to employees but that what is being suggested is that the rules of the game can be altered without notice, and retroactively, because some trade unions have been either negligent or have chosen deliberately not to bargain in that field.

I suggest to this committee that legislation which mandatorily would impose a termination benefit of the type that is being suggested retroactively, covering all the retroactive years of service, is expropriatory. That is the sort of thing that will scare people away from coming into this province. It is not the existence of it. If you know the rules you can play the game. But if one of the rules is that the Legislature is prepared to change those rules retrospectively then, gentlemen, I suggest we are in for trouble. I am losing a good labour client over this so I am concerned about the future too.

It could be said, I suppose, that in putting that position forward, putting forward the position that I suggest to you gentlemen you very seriously consider a phase-in of implementation, I can do so in regard to the SKF situation because, as I am going to point out to you in a very short period of time later, you have not had exactly full information as to

what has been put on the table by SKF. Since one of the things that is on the table by SKF is one week per year severance, I can say that. This company has been prepared to bargain with that.

I, as an individual, however, am concerned that if that is the sort of approach that is generated by these committees, we are going to scare further investment away from this province. The union, for some reason I guess, did not see fit to tell you that was on the table. The union did say, at page six of their representation that "the company has constantly refused to provide any information on the funding of the pension plan, and we are unable to assess the potential benefits that are funded." Gentlemen, that it totally misleading.

In the first place, as I pointed out to this committee at an earlier date, there has yet to be a request for specific information. Not once has the union representative said, "We would like to know this." The concept of not having information enables them to be in a position not to assess potential benefits, is sheer nonsense. They have brought with them their own pension expert from Ottawa to every single meeting. This totally one-sided concept of bargaining with the poor international trade union, helpless, on one side, just defies logic. They, of course, have full knowledge of the make-up of the unit. If they do not they darned well should have.

They know exactly what the benefits are that are prescribed. They know what they should be asking for in improved benefits. They have access to pension consultants and actuaries, and the statement that has been made to you is totally wrong. There is a statement that unless they are told what the funding is they do not know where they are. Gentlemen, they have been told what the funding is.

I do not know whether this committee appreciates the difference between a pension fund where the corporation is a continuing corporation, and has itself committed contractually to provide the benefits, and the situation where there is a fund, and the only recourse of the pension claimants to the fund would be against that fund; but this company has committed to pay those benefits. It is on the hook for them. It is not a matter of funding. It is like the Canada Pension Plan: if there is not enough money in the till today they are going to get some when they have to pay the benefits.

2:40 p.m.

So the representation that they cannot say where they are just does not hang true. The only way it might is if this committee, or somebody, accepts the union suggestion that the reward of SKF for trying for 30 years to run a manufacturing operation in this country, and for employing people for 30 years, should be to pass some legislation to deal with cases like SKF to embargo them in future. Now isn't that a nice suggestion?

I would suggest that if there were some problems in that regard in putting their competitors, who have not tried to operate in this environment, in a more favourable position with the

financial material, to suggest that you go beyond that is mind-boggling.

In the last appearance before you, Mr. Rygus gave you some interesting facts about 126 workers not being eligible for pensions in the SKF unit. He is wrong. There are, in fact, 67 in the unit who are not eligible, for one reason. That is because they are under 30 years of age. The plan that is being negotiated for them does not give anybody vested rights if they are under 30 years of age.

Of the other group, there is a group of 31 people who are over 30 years of age, and who will not have vested benefits. The company has said from day one, I know it because I said it to the bargaining unit, "We are prepared to talk to you about getting benefits vested for those people." There has not been one single proposal by the union bargaining committee to do that. Why not? I suggest the why not is the why not of where their interests have lain in collective bargaining because of the approaches they have been making to this committee.

Mr. Rygus has had--I was going to say "gall," but I guess "gall" is not the right word--has seen fit to say that SKF's prime concern in dealing with its employees since the announcement of the shutdown has been that production continue smoothly and that their employees leave as quietly and as cheaply as possible. This is a company that before it knew that this inquiry was going to take place, before it knew that there were going to be committee appearances or anything else, elected to say to its employees in the trade union 14 months in advance: "This is what we think we are going to have to do. We will sit down and bargain with you. We will sit down and let you tell us what you think you should have."

If that evidence is of concern to get people to leave as quietly and cheaply as possible, then it is a very strange way of structuring things. Gentlemen, the fact is that this company gave that long notice, knowing it was coming into collective bargaining, and knowing that the plant shutdown was going to cause great concern, great upset and great problems for its long-term employees. It did that in an attempt to work together with everybody to minimize the effect.

It has been met with virtually no response by the union in collective bargaining. The union has to date, it is my belief, concerned itself not with bargaining for the members of this particular bargaining unit, not with reaching a resolution to the problem, but with appearing before this committee and making statements which it could not make if it was reasonably proceeding with bargaining, or if it had reason to believe it reached a solution to the problem.

This company has on the table, and had on the table before Mr. Rygus appeared before you last time, more than you are talking about in legislation. It had better proposals than the amended pension legislation. Does that appear in what is before you? Does that appear in what's being publicized? I know that there are some people who feel that the interests of the individual employees in this unit should be subordinated to the general good of the trade

union movement as a whole. That has, in fact, been directly suggested to me. Maybe that's right, but I don't believe it is.

But that is the sort of problem that you engender when you start getting into areas where trade unions and management have in the past, to a very significant degree, dealt with by collective bargaining. Collective bargaining processes worked well in this province. It's not Chicago in the 1930s. To suggest in this province to anybody who has any exposure to labour relations that the trade unions are bargaining from a position of disadvantage is to indicate that you have either been listening to somebody's speeches too long, or that you have been away from the actual practice of labour relations too long. They are not bargaining from disadvantaged positions.

Now gentlemen, I just suggest that as a result of the record being corrected a little bit in those areas, that the committee may think about exactly what use it should make on the financial information. This company in my view anyway, has gone a long way, a lot further than any legislation either now contemplated or previously existed would have required it to do. It is done so because it is not just concern or a sole obligation to the employees that it is letting go. Of course it is concerned it has an obligation to those employees, but it also has an obligation to the people it hopes to continue employing.

It has an obligation to its employees in other countries, including Sweden. It has an obligation to its board of directors, which includes union representatives in Sweden. And to say that because in trying to make that obligation to the best of its ability on a global basis, it has therefore somehow structured something devious, is just flying in the face of all reason.

The company has been rather severely castigated, and had some pretty harsh things said about it in the transcripts. I felt that in fairness to my client, and in fairness to this committee, some of the other side of that story should be told to you. Thank you for allowing me the chance to do it.

The Acting Chairman: Well, thank you very much. I am going to now turn to members of the committee. As they well know, we have the Toronto social planning council to make representation to us. Both the gentlemen more or less started at, I thought, 2:20 p.m. and we are 2:50 p.m., If there are questions from members of the committee, rule of thumb would be maybe go to 3:20 p.m. or 3:30 p.m., at which time we will hear from the social planning council. Mr. Martel, Mr. Mackenzie, Mr. Cooke, is that agreeable? Mr. Eakins, did you hear what I said about the time frame? Okay. Well, then Mr. Martel is first on the list.

2:50 p.m.

Mr. Martel: Since I was the one who moved the motion that we see the books, I want to indicate that at no time was it our intention to take the books and make them public in the sense that I think was implied. Maybe even giving them to the union. That is not and has never been our intention. We received a brief that said, "Look, you had better take a look at the books because

we think there you have used the word 'doctored' or some other phrase." I am not an accountant, so I don't know the first bloody thing about books. That's why, if you read the record on that day, I asked Mr. Jennings if he could, in fact, chart it out and determine precisely what is there, because I don't understand them.

There was a contention made that there is still no necessity for the company to leave. That is what we are all about, not to try and prevent a company from leaving, but to try and get to the root of what--when there were 68 plants closed in the last year--what's causing or prompting this sort of thing to occur in Ontario, and hopefully make some recommendations which would prevent that from occurring. I think there are those of us who would still like some way to see SKF stay in Canada, manufacturing. I am sure you are one of them.

Mr. Cumine: I am one of them.

Mr. Martel: So that's the motivation. It is nothing sinister. It is just that we are groping to try to find ways to save jobs. I might say, as I said to the Canadian Manufacturers' Association this morning, that despite all the hearings we have had, we really have two positions, corporation position and union position. But we have had no middle position that says, here is what, as a committee, you might recommend and the measures you might do to guarantee that companies stay in Ontario rather than move offshore and supply from abroad.

So we are caught in that dilemma. What do you recommend? Companies opposing most of them--severance pay, justification for plant shutdowns, longer notice. On the other hand, the union saying, yes we need these things. My own position has been that we are dealing just with the symptoms, not dealing with the problems.

So I wanted to look at the books through someone who understood them, to find out whether the allegations are correct. I think I speak for my two colleagues who would take that same position and make that point clear.

The second point I want to make clear is that I don't want to get involved in the bargaining that is going on at the present time between the company and the union. That is not our role. I don't see that as my role, trying to get in between the two to extract, call it what you want. I'm sure my colleagues don't feel that that is the role of this committee, to try to be the arbitrator as to whether SKF can pay more or pay less. That is just not our function. At least I speak for myself. I don't know about my colleagues, but I don't think they feel that that is their role either. They will be able to speak for themselves. They are both on the list.

Therefore, what I am really concerned with in the final analysis, is whether there is a way to prevent plant closures in Ontario.

Let me tell you about being devious, though. I have been around here for some time, and you have to sit around this place. If one just goes back to health and safety and one wants to talk

about deviousness, one has to look at the government of Ontario--the fact that over in the archives were hidden all of the records of all of the people who were suffering from silicosis, all of the people who were dying of cancer of the lung in Elliot Lake--to understand how devious this goddamned place can get in terms of workers.

That did not come about readily, you know, the whole Ham commission. Those records have been over there for 15 years hidden in the Ferguson Block in the basement, and everyone knew except the workers. I was heavily involved in Elliot Lake, almost lived there for a year along with Stephen Lewis and my colleague Floyd Laughren as we slowly put that rotten picture together. And there is in Sudbury the cintering plant, where 50 some workers have now died of lung cancer. That did not come readily either, and everyone knew it was happening.

When we appear to be looking for something devious in things, we know that to clear up such things as human beings dying, the deviousness has been there. People in the Ministry of Health, the Ministry of Labour, the Ministry of Mines and the Workmen's Compensation Board knew it was going on. When we get devious, Mr. Cumine, or we think there is deviousness involved, it is because we have learned the hard way. There are powers who prevented that from becoming a reality and becoming known to society as a whole. I'm sure you've read Dr. Ham's report. It is an outstanding document on what was going on.

If you want to talk about deviousness, I can show you correspondence saying, "If you want to prevent Martel from shooting his mouth off, you had better do something; you'd better lay a charge against Falconbridge Nickel, because he is going to raise it in the House." This is written in the ministry's files. We have suspicions.

This morning I said to the Canadian Manufacturers' Association, we have a different environment in which to work where it isn't always confrontation. But it hasn't come easily. That is why we have our suspicions. I speak to that. It is not part of it. I couldn't help writing the word "devious" down, because we've learned the hard way, Mr. Cumine, to improve conditions. We don't get the facts we need to work with.

Mr. Cumine: I am inclined to agree with that last statement, which is one of the reasons I wanted to say a few words today. In my limited experience with deviousness, I have usually found you might look to motive. That is why I said what I did about this company supposedly structuring things to justify something it wouldn't know it would have to justify so it could continue operating a business in Ontario. It is a little mind-boggling. It must be more than devious. It must be prescient and sinister.

The real point I would like to answer is this. I heartily concur with your statement that you don't want to become involved in the collective bargaining process, but, gentlemen, you are! You have found yourselves in that position perhaps because of a red herring. I say it that way because of the number of collective

agreements that have a termination benefit negotiated into them and the fact that they obviously represent the large units. You are talking about leaving out the small ones in regard to termination benefits.

Mr. Martel: That was the only way we could get it through the committee. We went the route.

Mr. Cumine: I think you are talking about a red herring and that red herring has, unfortunately, put this bargaining situation into a position where rather than bargaining at the table, it is being done in public media, and it doesn't work that way. There may be nothing left to bargain about by the time we get down to it, because people aren't prepared to sit around and wait for all of us to either have legislation or reach some dragged-out collective agreement. People are leaving. They are going to restructure their lives whether they wait for us to help them or not.

That's the position you are in. That was the concern I had and it is the concern I have about this sort of legislation intruding into the collective bargaining procedure. I think there is a danger to it and we are a living example right now of that danger.

Mr. Martel: We are prepared, I think, to abide by what Mr. Saxe offered which was to allow someone on our staff to look at the documents, that they remain private and not be made public, and the individual members would look at them. I think I speak for my colleagues in saying that none of us will make public the content of the documents.

Mr. Cumine: We would appreciate that very much.

Mr. Martel: My colleagues ought to speak, but that is my position.

3 p.m.

Mr. Mackenzie: Mr. Cumine, I listened to what I think could be fairly described as the righteous indignation you expressed in your comments about Mr. Rygus' remarks. It triggered me immediately back to yesterday when I heard what I took to be a defence of the closedown proceedings and benefits, the procedures to close a mine, Caland Ore to be specific, in northern Ontario, given by the mining association. I received only a week ago about 60 documents outlining individual cases, grievances, company responses, long delays in trying to move houses, and almost everything that was counter to what we were told was the ideal agreement worked out by the Quetico centre to close down that mine.

I raised it with the same indignation that you just raised your opposition to some of Mr. Rygus' remarks. I was told at that time, and I accept it to a degree I guess, that I was being unfair because it was the last or second last day and because that particular company was not there to respond. I offered to read some of their memos which verified some of it--there was

documentation all the way through, including wires to the Minister of Labour and everything else in it--into the record and indeed said that it would go to the clerk of the committee, so certainly the company could take a look at it.

I suggest the same thing applies here. It is the last day of hearings. You've made charges. Like my colleague, I don't want to get involved in the argument you have over the information given by Mr. Rygus, but I presume he'll be able to read the transcript of your remarks and he can respond or not respond if he so desires. I want to point out that the criticism I got yesterday, I could level the same here today. I have to tell you also that there are a number of questions in my mind.

I consider it as ridiculous as you consider some of the other arguments that an individual union would risk benefits for their members, where they are into an individual negotiating session or contract session, for the sake of benefits for the labour movement at large. I don't expect or suspect that local would let their union get away with it. There is a fair history with the International Association of Machinists and Aerospace Workers in collective bargaining in North America. But that can be a suspected motive.

I will tell you a couple of things that bothered me about the case. It wasn't the doctoring of the books. I heard those arguments. What bothered me was whether there was more validity--going by some of the questions that were asked by my colleague, who is not here today but the plant is in his riding, Richard Johnston--in terms of the changeover from some of the long runs, the changeover from manufacturing to straight assembly, the bearings coming in and the various sizes turning into nothing but an assembly operation.

The company first indicated some desire to move out, I think, back in 1975 or thereabouts, and I wonder whether this wasn't a method of cutting down on the profitability of the operation so that they were in a position to move. That question is still in my mind. I'm not at all sure if the books can show that. Certainly, it is a question that is seriously in my mind, whether there wasn't an organized and deliberate--albeit from their point of view maybe for good reasons--attempt to make that plant one that could be done away with. That is still there.

When you raise the argument that you have put on the bargaining table--I don't mean you, but the company--the severance issue, and ask why the union did not go for it, I don't buy that particular argument. I know what has happened, in some cases, when we have tried to go for some of these issues that haven't been main bargaining points. There is still not anywhere near a majority of contracts that have severance pay provisions in them. But I also know what your company saw, and I could subscribe motives here too I guess--all of us are a little bit gun-shy after the raft of plant closures we have had, but in some of our minds at least we have some question as to the real justification. When it saw what was going on at Firestone a number of months ago, at Houdaille and Tung-Sol, any company worth its salt would probably act a little more responsibly and take a look at it.

I can also suggest that by giving the kind of advance notice they did, the company was in a position, if that was the desire, to orchestrate to some extent what the union was going to be bargaining for or attempting to bargain for. I am not suggesting--but I am laying it all out on the table--that is necessarily what they have done. I am saying the company could have set the ground rules for the kind of negotiations. They are operating to some extent under the gun also. The workers have got 14 months' notice. They are now negotiating for the last contract but they know that in 14 months they are going to be gone.

So I think the question of orchestration could work both ways. I put that on the table to you in response to some of the remarks you made. The actual conflict over whether the figures were accurate, or what Mr. Rygus said, he can respond to. I don't want to get into it. I want you to know that there are questions in my mind as to what the heck went on in that operation.

Mr. Cumine: I don't quarrel either with the fact there are questions in your mind or the fact that you should follow up those questions. I don't think I have made any representations here today that in any way suggest that. The facts I have put on the table here today are primarily in response to statements that were made by Mr. Rygus the last time, the transcript of which I got this morning. I continue on the motivational point, and, of course, you have to follow up your suspicions. But once again I say to you if they were structuring this to justify it as far back as five years ago, how did they know you were going to ask them to justify it? That's the point I'm making. They must have been pretty clever--

Mr. Mackenzie: I wonder why they were talking about removing the operation from Canada to their employees in Sweden, as the company's own statement showed, long before they were talking to the union up here about it.

Mr. Cumine: Obviously not long before. There had been rumblings about it for years.

Mr. Mackenzie: A number of months before they actually sat down and talked to them about it.

Mr. Cumine: I don't intend to give evidence. Mr. Pickett is giving the evidence as to who did what when. I cannot answer any of that and I have not tried to do so today. I have expressed certain concerns. I am concerned that the collective bargaining negotiations--maybe Mr. Rygus will tell you that that distinction has not been made, that everybody is working hard for the benefit of this particular group, and we are not trying to use it as a public relations gimmick.

One of your colleagues expressed to me the position that there were instances such as this. For the greater good there were priorities that had to be elected. I suggest to you that maybe that's what happened here, because it is not going to serve anybody's interest to have these collective bargaining proceedings protracted. My concern has been, and I hope Mr. Martel is answering it, if what is going to happen is that we are going to

get into information being used by this committee and circulated back for collective bargaining purposes, by the time we go through it all, gentlemen, there is not going to be anything left.

Mr. Mackenzie: I think that is an overstatement, Mr. Cumine, but I will accept that you have a right to your view as I have to mine.

Mr. Chairman: Mr. Saxe, do you have any comments at this time?

Mr. Saxe: I think I have made mine, thanks, Mr. Chairman.

Mr. Chairman: May I attempt to summarize what I think might be a workable solution? If the group concurs that one copy of the documents be made available to Mr. White, the clerk of this committee, that they would not be public, that they would not--

Mr. Mackenzie: That our staff be allowed to give us their view of them once they have taken a look at them.

Mr. Chairman: Yes. And the members of the committee, am I not right in assuming, can also look at them? But let's make one copy and avoid the problem with copies of the bloody thing. Is that reasonable? Can we proceed on that basis?

Mr. Saxe: We are in your hands. We will proceed as the committee determines.

Mr. Mackenzie: We have no argument with that.

Mr. Chairman: It's agreed to do that then, gentlemen, and thank you for being back with us. I appreciate that. We turn now, members of the committee, to our last submission before this select committee, the Social Planning Council of Metropolitan Toronto. Gentlemen, if you would be kind enough to come forward, I know you have been here before, and before other committees as well, but would you be good enough to identify yourselves again into the microphone for the record.

Each of the members of the committee has a copy of your brief. I apologize myself for being late and on behalf of those other members of the committee who, for whatever reason, are not able to be here today. Copies of the brief will obviously be available and I hope will be read by them. Copies of the transcript are received in the offices of each of the MPPs on the committee. So I think you are speaking to more people than you see. We are in your hands, if you wish to proceed with the brief, leaving time for questions.

3:10 p.m.

Mr. Lee: Thank you, Mr. Chairman. My name is Don Lee. I will be making the presentation on behalf of the council today. I have with me Leon Muszynski who has been involved in the preparation of the brief and Ed Pennington who is executive director of the council.

Mr. Lee: The social planning council perhaps bears a little bit of description for the benefit of some members of the committee. The Social Planning Council of Metropolitan Toronto is a major voluntary organization helping community groups, volunteer agencies and governments to develop ways of improving the quality of life in a rapidly changing society. To carry out this work we engage in a variety of activities among which of course are making our views known on various issues to committees of this kind.

I think it is fair to say that for most of the social planning council's 40-year history, the organization has been concerned primarily with social policies and programs, evaluating them and making recommendations for improvements. But it is also fair to say that over the period of the last five years or so in which we have been experiencing a persistent economic stagnation, we have found it increasingly difficult to evaluate social programs and make recommendations for changes without reference to more general economic questions. And that difficulty which we have experienced is reflected in our presence here today.

I will not try to read the whole of our brief to you since copies are available, but there are a number of its main points that I would like a chance to highlight before inviting questions. The specific recommendations we have to make with respect to plant shutdowns and employee adjustment really need to be prefaced with some remarks about the general economic conditions and I would like to point out to you that the social planning council in its brief here has suggested that full employment has to become the first priority in the economic policies of this province and, indeed, in the country as a whole.

We have for several years now watched governments at both federal and provincial levels attempt to deal with the economy by focusing on inflation as the primary problem, and at the same time have observed that inflation remains with us at more or less the same level that existed before that orientation became a serious and unidimensional one.

We believe that focusing on full employment as the first economic priority will require interventions in the economy of a kind that we are not accustomed to seeing either in this province or in the rest of the country.

Mr. Chairman: We are sure getting there.

Mr. Lee: Perhaps we are getting there.

Mr. Chairman: I don't mean to be flippant. I was just thinking that there has been, even in very recent days--I have not followed the press all that closely, but there have been a couple of things in the last few days that probably one would not have believed 10 years ago. I don't mean--

Mr. Mackenzie: Some of the cynics might say that the track record is not very good.

Mr. Chairman: No, but the idea of the tax fund, the general revenues to be used more aggressively by governments--I

don't know who would argue against that now. Some years ago some people would have.

Mr. Lee: As I was saying, I think the council feels generally that governments are going to have to be prepared to look at new strategies for providing the economic framework within which the kinds of social programs with which we have traditionally been concerned can operate effectively. As I indicated, our organization has only recently focused on these kinds of questions, but over the last period of months has produced a series of working papers on full employment, which I understand are available to the committee and I hope you will find they are useful background material, and which we are using in an attempt to come up with the kinds of alternatives we believe are necessary.

While our short experience with this kind of concern means that we cannot come to any definitive conclusions about what the total package of economic strategy should be, I would like to draw to your attention four particular suggestions which we have outlined in the brief, namely:

Governments should consider entering into planning contracts with industry that would include specific employment targets and reinvestment strategies for the long-term benefit of the workers and the community;

The government should consider preventing the export of machinery that has been purchased with the assistance of government loans or grants;

The use of government loans or grants to acquire direct equity for workers, communities and government in industries that may face closure--

Mr. Chairman: Mr. Lee, I do not mean to interrupt again but a number of us are flipping through wondering if this is listed in the document before us.

Mr. Lee: It is page seven.

Mr. Chairman: That will help us, thank you.

Mr. Lee: The use of government loans or grants to acquire direct equity for workers, communities and government in industries that may face closure yet may also be viable from the perspective of the workers and the community;

And that there be more serious consideration of direct government investment in key sectors of industry.

I think we should follow those particular suggestions by noting that government at all levels is already heavily involved in the economy, that the old saw that an invisible hand will somehow operate to ensure the most effective allocation of capital to investment is a relatively outdated idea because of that reality. What we are trying to suggest to you is that this kind of general economic issue should be considered in a broader way and

that government should not confine itself to looking for ways to provide incentives and grants to industry but should look for ways of acting in a more direct and positive manner.

With that introduction on general economic questions I would turn to more specific suggestions we would like to make with respect to the particular problems of layoffs and call your attention to paragraph 16, on page eight, where we suggest three major objectives for a comprehensive policy on layoffs, namely: preventing the occurrence of layoffs wherever possible; second, providing effective adjustment assistance to workers in communities where layoffs do occur; and third, assuring that the social costs of layoffs are included in the total cost of labour to the employer.

With these kinds of objectives in mind, and without going through the whole of the brief, I would like to point out some of the specific recommendations. But before I do that, I would make the general comment that with things as they stand now, labour is generally treated as the most flexible input for industrial production. The word "flexible" conceals a host of crimes that are accentuated in times of unemployment. The availability of labour, particularly unskilled labour, means that employers can count on people being ready and available for work at their whim and with little consideration for any kind of long-term planning of manpower needs at the level of the enterprise.

We have tried to formulate a set of suggestions that are aimed, not only at protecting the workers who are directly affected by layoffs, but also at providing incentives to employers to engage in more effective manpower planning to ensure that there is more stability of employment within particular firms and, more generally, within the economy.

3:20 p.m.

I will refer, first of all, to our recommendations with respect to notice of layoff and call your attention to paragraph 24 in which we suggest that there needs to be substantial change to the existing legislation on notice for layoff and, in particular, that the period of weeks which is considered to be a permanent layoff be reduced and people who are facing a layoff of eight weeks or more should be entitled to advance notice of six months.

We also believe that this notice should be available for groups of employees as small as 10 in number. The present requirement, as you know, is 50, but both Quebec and Nova Scotia have a requirement for notice for groups of as small as 10 employees. We think there are a lot of layoffs that are not even coming to the attention of government authorities because of the existing 50-employees' provision. I would like you to consider that, although from a general economic point of view, the layoff of 10 people may not be as important as the layoff of 50 people, from the point of view of the individuals involved, it makes little difference whether they are in a group of 10 or a group of 10,000.

Mr. Chairman: May I ask a question that I do not know the answer to? I am not being argumentative. Are you aware in your research if there is a historical reason for the lower number in those other two provinces, or is it a recent change from a higher number at one time? I am just curious.

Mr. Lee: Can you answer that?

Mr. Muszynski: I do not know.

Mr. Chairman: Okay. It does not matter.

Mr. Lee: I cannot answer it either.

With respect to severance pay, we are very glad to notice that this committee has already made a commitment to pay of one week for every year of employment. I think this is a sensible approach because we would like to suggest to you that an employee's job should be looked upon as an asset and, in some respects, as a property right, a right without which they will find it considerably more difficult to gain a livelihood, obviously, and severance pay should be considered as compensation for a loss of that asset or property right.

I would also like to draw your attention to our proposals with respect to skills training. We make a number of suggestions, particularly in relation to layoff-time training. We think that the programs for skills training in this country need a general overhaul for reasons with which you may already be familiar. The extent to which we have relied on imported labour in the past has effectively relieved too many employers from the necessity of providing adequate training programs.

We would suggest to you that the obvious need for a much more intensive skills training program in this country should be considered in relation to the problem of layoffs and, in many cases, it may very well be appropriate to provide training programs during the period of layoff and in the plant location that is concerned.

We would like to recommend to your consideration a system for financing this kind of program which already operates in other countries, namely, a levy grant system. If that has not already been brought to your attention, essentially what it does is place a tax on employers that is supplemented with revenues from the government. Then, employers who are in a position to run training programs that would qualify under the legislation are given grants back out of that fund. This means they have the opportunity to recover the initial tax if they in fact engage in serious training programs for their own employees.

The final issue that we want to speak on is the question of pensions. As I am sure you are aware, this has been one of the most aggravating problems for the people who have been affected by layoffs. While we are glad to see that the provincial government has already introduced legislation that will alleviate the problems faced by those people with respect to their pensions, to a certain extent, we would like to point out that this kind of

piecemeal measure, is a long way short of what is required to provide people with financial security in retirement--in particular, people who have to gain their livelihood in an economy that is experiencing high unemployment, high rates of layoffs and high rates of plant shutdowns.

The Social Planning Council of Metropolitan Toronto has, for several years now, and in particular in its submission to the Pension Commission of Ontario, recommended that there need to be substantial improvements in the Canada Pension Plan and old age security system as a means of securing the financial position of people in retirement. We would like to point out to you that, in our view, improvements to those programs would be the most effective way of protecting the interests of people affected by layoffs and shutdowns.

Layoffs and plant closures are not a new phenomenon. Their adverse effects upon individuals and communities have been known for some time. Even if we were not experiencing an economic crisis, the work of the select committee on plant closings and employee adjustment would be essential. Ontario's policies of protection for workers who experience layoffs have never been adequate.

The present round of closures and job loss is not a temporary phenomenon. We are in the throes of major changes in the Canadian and world economy. This includes rapid technological change, a restructuring of the Canadian economy and changes in the labour force. There is nothing inherently wrong with these changes. It is only a question of who bears the cost of change and how fast it occurs. Many of the closures now occurring are having a devastating impact upon workers, their families and their communities. Society has to pick up the tab for problems created by these dislocations.

This suggests to us the need for a greater role for those directly involved in the decision making that affects their future. All proposals for permanent closures of plants, and all mass layoffs of employees for extended periods of time should be submitted by employers to a public body for justification of these dislocations before they occur.

I will stop there for a moment, because I know that this is, perhaps, the most contentious issue before your committee, to point out that what we are talking about is formalizing a process which, in some respects, already exists. The fact that this committee was created suggests that there is a process of review.

At a certain point in the business cycle, the scale of layoffs gets to a level which makes it essential for the Legislature to take action, to intervene in the process, to discover whether there are any ways out of the consequences of these layoffs for the specific people affected, or for the economy as a whole.

I think the members of the committee will be aware of earlier investigations by the Legislature of the actions of

particular employers, rather than inquiries made under the kind of general mandate you have.

3:30 p.m.

Some people oppose this sort of review process on the grounds that it would constitute yet another disincentive to capital to locate in this province. I would put it to the members of the committee that this notion seems to be somewhat misplaced, given that the problem we are addressing is that capital is already moving out of the province and not locating in this province to the extent that is necessary to develop a full employment economy.

So we would encourage you to look seriously at that process and to look seriously at, in particular, our recommendations for advance notice of permanent layoff. We believe, quite sincerely, that if these kinds of programs were in place, there would be the opportunities for the communities affected by layoffs, the workers directly affected by layoffs and governments, generally, to have a period of time in which it would be possible to look for alternatives for the particular individuals affected.

This is important, not only from their point of view, but from the point of view of the health of the economy generally. I am sure you all understand that once unemployment and layoffs get rolling, they have a kind of feedback effect in which the process fuels itself, to a certain extent, at least. I think we have reached that point in the development of Ontario's economy, and it is time to take some very serious initiatives to stop the self-fuelling process that seems to be going on.

With that, I will conclude and we will, of course, be glad to answer any questions about our presentation. I may, if that is agreeable to the committee, call upon my fellow representatives here to assist me in answering any of your questions.

Mr. Chairman: I want to do just two or three, if I may. I think this is good. Let me just say that. It is tight and it speaks bang on to those harder issues before us, and we have been all over the map, as I guess you know. You spoke to the key issues before us.

One of the comments you made towards the end was that legislation, justification for closure, that type of thing, formalizes a process that in large part already exists. I think that was a good observation. I have trouble with this area, personally. But, and I am not being a smart ass when I ask the question, if the process already exists, why formalize it? And are there risks in formalizing it?

Those are two questions I ask myself if that process--the right to check, however you want to describe it--does already exist. I think you said this committee is one example of many that will disprove that. What advantages are there in formalizing it?

Mr. Lee: I think you must recognize, Mr. Chairman, that the process exists if the people directly affected are willing to

raise hell and are aware of all of the factors that may be involved in the decision of the particular employer to shut down.

I think there is a lot to be gained from formalizing the process. In particular, I think that by formalizing the process and setting down particular kinds of questions that need to be considered when evaluating the decision of any particular employer to shut down, it would help to focus the discussion that goes on between the employer and the community, between the employer and the workers and unions involved, between the employer and the governments involved, in a way that just does not happen effectively now, given that the process is an informal one and does not get going until people start raising hell.

Mr. Chairman: To make more people aware of it. Formalizing would do that, I accept that. It is an easily identifiable form, format, whatever. The decisions flowing from that would be equally, readily, quickly available.

Mr. Lee: I think one of the difficulties is that people, whether they be workers in a particular location, or just people in the community generally, are affected by this kind of economic trend that we seem not to be able to pull out of these days. Because there is no established procedure for dealing with the problems that are faced by communities and workers involved, there is a tendency to think there are no solutions, at least not solutions that are immediately available. I think, frankly, this is not the case.

There is a tendency to assume that when an employer decides to lay off substantial numbers of workers, or to shut down a plant completely, he is making it for reasons which are quite reasonable. They may very well indeed be reasonable in his own terms. I think it is important to establish, in the public mind, that "reasonable" should not be defined exclusively in the terms of the employer, that there may be other kinds of considerations, considerations which will affect the budgets of governments.

We have been hearing a lot in the last five years about how governments have to cut back on public spending for fiscal and monetary reasons. The conventional strategy for achieving that has been to cut back existing social programs which our organization has documented in many other forms. But we do not hear very much about positive strategies for alleviating the budget requirements of governments by eliminating the problems that people face.

In particular with reference to layoffs, I would refer you to the section of our brief where we suggest that many layoffs occur simply because employers do not engage in effective manpower planning. They do not engage in it precisely because it costs them nothing to ignore the problem. This is particularly so of employers who are dealing with unskilled labour in an atmosphere of high unemployment.

There is evidence to suggest that a lot of layoffs could be avoided if employers were simply required or encouraged in some way to engage in planning of their manpower requirements on a more long-term basis. If this is possible, and if governments can be

persuaded that it is possible, I would point out that this would result in reducing their budget in a variety of ways.

What we are trying to suggest is that if there are positive ways of proceeding that can not only improve the circumstances of working people to the extent that they are affected by layoffs now, but can also have a positive effect on the economy generally in perhaps a shorter form, we can turn the feedback process around to our own general advantage. Rather than having unemployment feeding unemployment, we can have employment feeding employment.

Mr. Chairman: My second question fits nicely into this business about perception and things feeding on themselves and this certain sense of momentum for whatever complex reasons given. You say, in response to the argument which we have heard a number of times, that severance pay and those kinds of new laws would be barriers to investment in this province, and in part your response to that was that investment money is already leaving. Can I just simply ask you why, in your judgement, money is leaving the country or the province now?

3:40 p.m.

Mr. Lee: That is a big question, obviously. I am not an expert on this kind of general economic problem, so I would not want to try to present my own views as definitive on those kinds of things or as the views of the social planning council. As I indicated, we are finding ourselves kind of pushed into this area of government policy because we just cannot change the sorts of objectives we focus on in the area of social policy without addressing economic issues.

Mr. Chairman: That makes sense.

Mr. Lee: With those qualifications, I think it is fairly clear that the problems Ontario is experiencing now are not unique by any means. There are similar kinds of phenomena going on in other industrial countries that have, historically at least, had a strong manufacturing base. I would not pretend to have the global solutions, but I would point out that among the group of industrial countries that are experiencing these common problems, there are countries that have been able to deal with them more effectively, and even countries, on the face of it, that are in a somewhat weaker strategic position with respect to critical inputs such as resources, energy, proximity to markets, and a variety of other important considerations.

The problem lies with the observation that doing anything that impinges on the free movement of capital would simply exacerbate the trends that already exist. There are examples of economies where the scope and the nature of the intervention in these processes is considerably different from what it is in Ontario. That suggests to us there are alternative policies, without us trying to specify what the total package might be, that could have more positive results than the past strategy of the Ontario government or the Canadian government generally.

Mr. Muszynski: If I could just add to that, I do not

think you even have to ask that question. It is certainly not important to answer that question in terms of justifying the kinds of things we advocated in any case. Even when you look at or think about the movement of capital within the province, even if it is not leaving the province, I think you could certainly justify ways and means of protecting workers in communities in that process. Closures and movements of capital have devastating impacts within the province.

The Westinghouse plant in Hamilton is a perfect example of that. The closure was made on the basis of, at least publicly, a rationalization of production and an attempt to set up more productive facilities in other parts of Ontario. This was a Canadian-owned corporation. In the process of a labour relations board ruling, it was found that company had ulterior motives, namely, they wanted to escape the union.

But the important thing there was--I guess these are the questions you have to ask--why did that company not invest or choose to reinvest in the locale where it was already established and what were the costs associated with its decision to move to another area, even though there were certainly benefits to be accrued from moving to another area, namely, employment in those new communities?

It is a question of change and it is a question of what view and what value we put on the integrity of communities and whether, in fact, people who have long-established rights to their jobs have any rights with respect to those kinds of decisions and those kinds of changes. I would certainly argue that anything we can do to make it at all possible to save those communities and maintain their integrity we should do.

Mr. Chairman: That is a good distinction. I appreciate that. I would not use this big and, I think, accurate, argument --that capital is mobile and that people are in the business of making those judgements based on a whole host of factors, including legislation in different jurisdictions--as a response to severance pay, which I think frankly is more of a--I do not know how to say it--social, human kind of thing.

I would, however, be inclined to look at justification for closure legislation as different in the sense that it does speak to the mobility of capital in a different kind of a way. I see them as separate. I would not want you to think I see those two issues as the same; I do not at all. Together they are part of this committee, but I see them as quite distinct in my own mind, and I have a little bit of trouble with that.

My real purpose for asking the question was this business about perceptions. Maybe you do not have very much patience with perceptions that people have--none of us does, I guess. But there is a broad and a growing perception that governments in Canada have been less responsive to the needs of the investor, those kinds of realities, for a period of time. That is one of the reasons, some people say, that money has been leaving the country.

Case by case these things get hard to justify. I am not

going to go back to the rent review thing, but all kinds of people said they were in Houston because of rent control but it was not so simple when you tried to investigate it. The cumulative effect of a lot of new regulations sometimes does exacerbate that perception. Something like justification for closure legislation I see as a real problem, but more so because it does seem to aggravate that view. Do you know what I mean?

Mr. Lee: Yes, I understand what you are saying. I guess we have already made our views known on that question, but one think I might say to reinforce our position on the question of justification is that one of the economic questions individual employers seldom look at when they are making their own investment decisions is the need to maintain a market for goods and services. Individual employers do not have much of an incentive to look at this sort of thing, because they do not specifically see their own employees serving as the major market for their own particular line of products. The market is considerably broader than that.

Of course, a government cannot afford to ignore this kind of consideration because the cumulative effect of a series of individual decisions by individual employers to close down plants or, in a more passive sense, not to invest in Ontario, rather to invest in some other location, is to reduce demand for goods and services that would be produced by employers generally. It seems to me that is an economic rationale for a justification procedure that government should look at, and government should see its economic responsibilities as somewhat different from the responsibilities of individual employers.

If we allow the process of plant closings to get to the point where it does have a feedback effect, where it is fuelling itself, obviously there are going to be some pretty serious general economic problems that no one individual employer is going to be able to solve. It seems to me that suggests the necessity of the government intervening in a variety of ways. One of the ways we believe would be appropriate is a process of justification.

I should add, because it may be in the backs of the minds of some members of the committee, that this kind of thing would result in an immense new bureaucracy and a very complex administrative procedure, that I am not sure that is necessarily the case.

3:50 p.m.

It seems to me that an initial requirement for employers to report to some government agency on the scale of the layoffs involved, the reasons why they find it necessary either to shut the plant down or engage in layoffs, the steps they are themselves taking to ensure that the workers directly affected find alternative employment or are enrolled in training programs or whatever, would eliminate the necessity of any kind of formal hearing in a lot of the cases.

It seems to me likely that formal hearings or some more formal process of review would only be necessary in the cases affecting larger numbers of people and cases where alternative

kinds of employment are not available. I should add it would mean that people such as yourselves would not have to sit on committees of this kind if there were effective programs available.

The problem we have seen in reviewing this question is that there is very little in the way of any serious attempt to find alternatives for the people directly involved in layoffs and shutdowns, and this has reached the point where it is having a feedback effect and the problem is getting out of hand. That is precisely why you people are here and listening to us. The very fact that you are here and listening to us suggests there should be some kind of measure in place that would deal with the problem before the feedback effect becomes so serious that the political level has to start dealing with it.

Mr. Mackenzie: On your last remark, I guess the effects are starting to show. I had one of six or seven cases, a variety of problems, only one of which was directly related to employment, come into my constituency office last night, one of my regular nights. I had a chap of 40 come in with his wife. He had been hit almost two years ago in Windsor, one of the early victims of unemployment. I do not know what he did for the next year and a half but he told me he had tried a variety of odd jobs and even tried to operate a grocery business, I think it was, on his own, one of these franchise deals.

He did not find the ability to make a go of it. He had lost his house--they did not have an awful lot in it anyhow--but he lost his house, moved to Hamilton and was lucky enough to get hired four and a half months ago at Westinghouse. He got his notice about three weeks ago that part of the switchgear operation at Westinghouse was now phasing out. He was about the newest guy in there and was out.

He had tried relatively good employers, one of the big steel mills, Dofasco, he had been in there, but among the questions they asked him was whether he knew anybody who worked there. I noticed a real frustration on the part of himself and his wife; they had the feeling he was not going to get taken on there. He had been in several times over the three or four weeks since he got the layoff.

He was almost challenging me, in effect, saying: "What's going on? I have got a wife, I have got four kids, I have lost a house once, I have now gone through a layoff in Windsor that resulted in me losing my house. I tried to operate on my own for a year and a half. I got a job for four and a half months at Westinghouse, I have been laid off again there, and now I am trying all over the city for a job."

We do not have the highest unemployment in Windsor, but at 40, with his wife--she was down with him--and four kids, he was really challenging the whole bloody system. I do not know whether that is part of the feedback or whether you as a social planning council see that or not. I have got his case sheet up on my desk and I really do not know what the hell I can do for the chap. Those are the kinds of things I am seeing in my office and I take

that as some of the feedback, as a direct result of the economic problems we are having.

Mr. Lee: This feedback effect perhaps sounds like a bit of an abstract concept but it does mean that there are thousands, in increasing numbers, of stories of exactly that kind where people are hit more than once by the process of layoffs.

Mr. Mackenzie: I think it was the system that had broken down. He just did not seem to know how to cope with it and his wife seemed even angrier than he was. Where do we go? As so often happens, and I guess it happens to all of us, they ended up in my office last night.

I have a couple of questions. We had a comment made earlier today by the witness before you when he was challenging some of the statements that had been made by some of the unions which were before us that severance pay--he was dealing with the SKF situation--would be expropriatory. Do you see severance pay as being an expropriatory measure?

Mr. Lee: No. I think the tone of our brief made it clear that we would not agree with that at all. The kind of particular case that you have cited, this individual, points to the necessity of some direct form of compensation because one of the things that happens to people who are faced by layoffs or plant shutdowns is that their anxiety level goes up by a factor of about eight or 10 and that in itself makes it difficult for them to proceed in any kind of systematic and thoughtful way to find a new job or a training program which might give some prospect of a more stable employment in the longer run.

We have tried to suggest that a job should be seen as something akin to a property right or an asset, and when people lose it they should get a fairly substantial amount of money, not just because of some abstract principle but because people in those circumstances need some kind of cushion in order to behave in any reasonable sort of fashion.

Mr. Mackenzie: I would have seen it as more of a proprietary right than an expropriatory right or situation. But I just really wonder at the anxiety level you talk about because we are dealing with individual cases just as I was in this case last night. Is that an assumption of the social planning council people, that there is that kind of an increase in the anxiety level, or do you have anything to base that on?

Mr. Lee: No, it is not just an assumption by any means. Some of the work that we have been doing in the background papers on full employment has been directly related to this specific kind of problem. Maybe Leon could comment further there on what we have found in a substantial way.

Mr. Muszynski: I think the evidence of anxiety increase, stress increase as a result of, not only unemployment, but uncertain economic conditions generally, is well documented; not only recently but as far back as the depression of the 1930s. This kind of information is by now well known.

The more recent study that was done by Dr. Harvey Brenner in the United States drew a direct relationship between rising unemployment and rising stress indicators, including mental and physical disease, crime, admittances to mental institutions, admittances to prisons and so on; that where there was a statistical increase in the rate of unemployment there was also a statistical increase directly correlated to a number of these stress indicators, so I think it is well documented.

I might refer you to our working paper number three called, The Social Effects of Unemployment; Working Papers for Full Employment, Number Three, where we have tried to put together a whole list of this kind of documentation.

Mr. Lee: I should add again that in some ways it is precisely that sort of thing that has led or pushed the social planning council into its consideration of broader economic questions, because all of the traditional kinds of social indicators that our organization is accustomed to looking at have demonstrated quite clearly that we were not going to be able to make sensible recommendations with respect to social policy without relating them in a direct way to economic phenomena as well.

4 p.m.

Mr. Mackenzie: Yesterday we had a brief by the board of trade. I found an awful lot more finesse and not quite as hard a line--whether it was the chamber, the manufacturers' association or you name it--but I found theirs to be the only brief that came before this committee that even went so far as to attack Bill 214 as being something that--I forget the exact term they used--this government should not have begun to enact without talking to them and had gone much too far. It was my impression that Bill 214 was a very modest step in terms of improving the pension coverage we need.

Even some of the other manufacturing groups that have been before us, in one or two cases agreed with Bill 214 but their argument was that was as far as you want to go, you do not want to carry it any further in terms of portability or vesting, but there was nothing wrong with that. In the case of the Toronto board of trade they actually seemed to oppose even that bill.

I am wondering if you have any particular comment on Bill 214. I know you have done some work on pensions. You should read the board of trade condemnation of the bill, by the way, which was pretty powerful.

Mr. Lee: Yes, all right. I preface my remarks about Bill 214 with the observation that employers, even in their representative associations, seem to find it difficult to disconnect or stand back from their own immediate self interests. I have, in the course of this presentation, been trying to argue, I guess, that somebody needs to do that, needs to stand back from the employers' immediate self-interests and look at the more general kinds of economic difficulties we are experiencing. If the process goes on much longer even the employer organizations and

the Canadian Manufacturers' Association and chambers of commerce and so on are going to find that the economy is operating in a way which is not serving their interests.

Specifically on Bill 214 I would just make the observation that it does recognize rights of working people who are covered by pension plans in a way that should have been done many years ago and I suspect that the reason the government decided to take the initiative at this time was that it is one thing to deal with an occupation of a small factory in Oshawa by 200 workers, but if an organization as big as Chrysler or Massey-Ferguson goes under, 10,000 workers will not be satisfied just with occupying the plants at Chrysler or Massey-Ferguson, they will occupy the legislature. I suppose the government would not look forward to that kind of prospect with any sort of relish.

All of that being said, and recognizing that Bill 214 does establish pension rights for working people that are considerably better than what they have had before the introduction of that bill, there are serious problems with that approach to securing pension rights of working people. In particular I would point out that even when an employee affected by a terminated pension plan has his vested pension rights guaranteed by this new government program, anyone who is, shall we say, 10 years from retirement will see the value of that pension reduced by at least 50 per cent and possibly more, and for that reason, that particular bill is not going to solve the old age security problems of people affected by plant shutdowns.

I refer you back again to the social planning council's position that what are really required on this front are significant improvements to the Canada Pension Plan and old age security systems and also point out that there are a wide range of organizations that have taken this view now, all the way from the labour movement, which has always taken that position, to Senator David Croll and his special committee on retirement age policies.

It is long since past time when we should have had a comprehensive and adequate public pension system. Some of the countries that we could look to in Europe that seem to have weathered the ongoing economic storm somewhat better than Ontario, have both much older populations and much better pensions. That suggests to me that improvements in public pensions should perhaps be looked on as a way of strengthening the economy. That is obviously a much broader issue and I am not going to go into it unless the committee would find it useful.

I would just point out that one of the general economic effects of a better pension system, would be to stabilize demand for goods and services, precisely because more people would have a steadier income, and an income which was being spent largely on basic goods and services and not luxury imports.

Mr. Mackenzie: My chagrin was that--and thank heavens they were the only ones--they went so far even as to criticize severely as modest a step as Bill 214. It just sort of tagged for me the difficulty we have in moving ahead, in terms of any of the suggestions that are even contained in your particular brief.

The only other comment I have, Mr. Chairman, is that there may have been some of our discussions that have been all over the map, when you asked the first question, you made that comment, I do not think we have been all over the map in terms of what we think we see as some needs. And certainly, justification, pension, notice, severance, and something to do with the whole ownership issue, are issues that we have not left from day one and that we are going to have to address.

Mr. Chairman: No. In fairness, I meant that we have talked in here--and it is the nature of the title that meant it happened--on fiscal policy, tariff, a whole host of things that are obviously germane to it, but this brief spoke to the four or five key things that we, next week, if we are still in business, are going to have to write about. That is what I meant.

Mr. Cooke: We have an interesting ratio left here of New Democrats and Tories and no Liberals. Maybe that is futuristic.

Mr. Chairman: Mr. Mackenzie, if you are finished, I really do want, if I might, one fast, last question.

Just again, there is a perception thing. It is an immense problem, a personal frustration of mine after having been around politics for three and a half years, that the myth and the reality are really quite something. Let me be bold and put it this way. There are good people in my community, who, if I chose to do it and blamed international unions and their fantastic fat wages of the Canadian worker, would clap for me every time I said it, notwithstanding the fact there is no evidence to support that myth.

I am saying, there are myths around. Politicians have to judge how they are going to speak to them, or cope with them. One horible God-damned myth that bothers me, as a former teacher and as a parent and as an MPP, is this business about our school system, educational system, not having turned out enough tool and die makers. I talk a lot about it in my own kitchen, in my own neighbourhood and around the riding, and I am an easy target at the door.

It seems to me a couple of things are clear after listening to this and thinking about it a bit. Everybody does believe that his neighbour's kid probably should be a tool and die maker but that his son or daughter, quite properly, is heading into dentistry. To what extent is the shortage of skilled, technical people--

Mr. Cooke: This is not true any more.

Mr. Chairman: --a broader thing, rather than just--

Mr. Martel: That whole thing was created, you know, by the way--I was teaching in those days--and where that desire came from was, in fact, created by the present occupier of seat number one in Ontario when he was Minister of Education, that the way to get ahead was to get an education.

Mr. Chairman: Well, it is the truth.

Mr. Martel: No.

4:10 p.m.

Mr. Chairman: Well, it depends what you mean by getting ahead. I mean, if my daughter opts to go to a teacher's college when she is 19 years old, and some son of a bitch tells me that we do not need teachers in Ontario, I will hit him in the mouth. That is a family, private decision. There is no law that says that she has to teach in the jurisdiction in which she takes her training. You know what I am getting at. That is the basic problem. Everybody speaks to this, the recommendation is well articulated here, but how, in terms of legislation, do you speak to it?

Mr. Lee: First of all, I think that you are right to suggest that there is a kind of perceptual or mythical sort of problem with respect to matching trained workers to the jobs that are available. I guess everybody would like to have the white collar job that they can do in a comfortable, air-conditioned, pleasant environment. I am not sure that so many people would want to be dentists, if they realized that they had the highest rates of heart attack and suicide of any occupation. So there may some gains made, in this respect, simply by pointing out some of the hazards of the supposedly cushy occupations.

But I think to try to take the problem somewhat more seriously than that, the fundamental difficulty that we have is that the rate of technological change that is taking place in industry is such that people can no longer expect to engage in the same kind of work over their entire lifetime, unless they are in occupations of the kind that you have mentioned: teaching, dentistry, medicine--essentially the professions which will, I am confident at least, have an ongoing place in our economy, even if legislators in the past have not been particularly acute in predicting the impact of the post-war birth rate, and the effects that that has had on the occupation of teachers.

You say that the choice of occupation is a private choice. Well, that is true, and people are encouraged to think that they can be whatever they want to be. A place to stand and a place to grow, you know. But the truth is somewhat different.

I guess one of the things that has to happen is that people have to get used to the idea that they need to equip themselves to engage in a variety of different kinds of occupations over their lifetime. One solution to that is to be satisfied with the position of unskilled labour. The risks of unemployment are somewhat higher with that strategy than any other that I am aware of, although I understand that the rate of production of lawyers is also now reaching a point where some of them will find it hard to make a living. Obviously that is not, in general economic terms, the kind of thing that governments want to be encouraging.

It seems to me that there is just no way that the Ontario economy, or any other economy for that matter, can take advantage of the immense changes in technology of production that are becoming ever more rapidly available, unless we also structure the

education system, and the job training system in such a way that people can move in and out of it at different times in their lives.

Someone mentioned that I have done a certain amount of work with respect to pensions. Well, when I get bored with pensions, I start talking to people and when they start telling me that they want to retire early--they are not satisfied with retiring on inadequate pensions at 65, they want to retire on inadequate pensions at 55--what I respond with is that, maybe instead of going after early retirement, what we should be going after is sabbatical through all the people. Now, professionals are in the habit of negotiating sabbaticals for themselves. Maybe we need to think in those broad terms.

Mr. Martel: Do you think that if we worked for politicians we could have a sabbatical for a year, just to retain our sanity?

Mr. Lee: I am being serious about it. I think that the scale of the problems we are concerned with demands consideration of social and economic policies at that kind of global level. I am not starting a campaign for sabbaticals for all the people, but it seems to me that we do have to seriously try and develop an education and training system which does enable people to move in and out of the work force, in and out of training institutions on a relatively regular basis throughout their lives.

Instead of demanding earlier retirement, I think people should demand occasional retirement and not retirement for the purpose of inactivity but retirement for the purpose of retraining.

Mr. Martel: There is a myth in this country that leads to what we see. It was in one of the briefs this week. The Federation of small business, I think, put a questionnaire out. Seventy-eight per cent of their membership responded that people were malingerers, that the benefits were too great out there, that people would love to go on welfare just to live off the fat of the land. It is a myth that is so real it is awesome. In my constituency office it frequently happens some woman or man will walk in and say, "I need some assistance; I'm down and out. I know the son of a bitch down the street is getting it and I'm more entitled to it than he is." Over and over.

It frustrates me, and I guess the people who perpetuate it the most are the bloody disc jockeys. Have you ever listened to those clowns on the radio? They're specialists on everything. They've got their commentary every day. They don't know whether their fingers are in their ears or their brain is in neutral. I tell you, they are the most irresponsible people--disc jockeys and those hot-line people who have their talk-in shows. They are the most illiterate beggars going. They perpetuate that myth and in fact expand it. They never know what the hell they are talking about, and they are not accountable to anyone.

Mr. Lee: I am not sure to what extent the disc jockeys are responsible for the attitude of small businessmen--

Mr. Martel: No, but they spread it out on the radio.

Mr. Lee: There is one comment that I would like to make. Our presentation has focused on the impact of layoffs on workers and their communities. That word community maybe needs to be flushed out a little because the community does include small businessmen. Small businessmen do sell their goods and services to people who earn wages, for the most part. If they are not earning wages, they are not buying goods and services.

It seems to me that if small businessmen were to look at their own direct economic interests in a more rational way, they would see that something does need to be done about the self-healing process of layoffs and unemployment, strictly from that point of view. Those people are part of the community. Why they are not arguing more aggressively for government intervention of the positive kind we've been talking about is something which has always escaped me.

Mr. Martel: They see that as negative, not positive.

Mr. Chairman: Yes. They, too, have their package of perceptions. When small businessmen, for example, go down the street to have a cup of coffee, they feed each other's fears and talk about there being too much government in life--one of the monuments to perceptions that exist. Here we are, in all respect, Elie, and each of us may be soon back in our own constituencies, and we will every day have a chance to play the easy game, feed the perceptions that in that particular crowd are, "I know you will champion Inco."

4:20 p.m.

He knows that I am going to set the record straight on union wages, or somewhere in the middle. It really is a serious bloody problem. I say that to somebody who has just been in the business for three and a half years, and every single day now is increasingly aware of it and increasingly aware of the extra pressures and responsibilities it puts on people who like disc jockeys, us and others in the business of politics. You can play to that stuff and maybe even, God knows, get re-elected. That's important, or you can--

Mr. Mancini: Elie has been doing it for 12 years.

Mr. Chairman: It is a very serious challenge. I believe that.

Mr. Mancini: Excuse me, it is 14 years.

Mr. Martel: That is why I need a sabbatical.

Mr. Muszynski: I had a comment on your question. I presume the reason why you raised it in this context was your concern for layoff time training and the possibility for it. I am concerned because I am not entirely clear on the numbers. It is my impression that people are knocking down the doors at community colleges and that employers direct employers in order to get into these programs. As far as tool and die makers and some of those fairly well paid skilled blue-collar trades are concerned, there

does not seem to be the problem of perception that you have outlined.

On another level, I think there is a problem with training in this country. This was identified by the federal commission of inquiry into redundancies and layoffs. There is a kind of general dissatisfaction expressed, both on the part of employers and employees, with retraining options. I believe it is largely related to the kind of training there is. The kind of training that is offered generally doesn't offer you skills that are really marketable, not directly related to the kinds of jobs that you can get in the local area.

If improvements are going to be made to the training system, that kind of thing has to be tightened up. Some sort of longer term process of training has to be developed. It has to be clearly linked to the possibility of finding a job in the local community or some other place, upon completion of that training. The training has to be set up in a way that people really see benefits accruing from that training. I don't believe any of those conditions exist now in the training system.

Mr. Chairman: That's a good point. Thank you very much, Leon and Ed. We appreciate your time. That concludes the--

Mr. Martel: The select committee on plant shutdowns.

Mr. Chairman: Maybe so. Can I raise one last point while we've got our representatives of the three parties here? In the event of a writ between now and Tuesday next, I think it would be prudent--Graham reflects this and I think properly so--that we should speak to this. Graham thinks we should agree now to return material under warrant. There are at least two packages of boxes--Armstrong, working papers (two boxes); Essex International (two boxes). It does leave this other question, the SKF papers. Graham has them right here. If a writ between now and Tuesday--

Mr. Mackenzie: I do not know whether or not our staff can take a look at them in the interim and have something in case we are in business a little longer. I don't expect we are going to be. I have no idea, like my colleague Dave Cooke, as to what the hell happens, but it just may be possible that some of our work may not be wasted by some kind of restructuring once a new government sits. I have no idea whether that happens or not. I would also like to know that some of the material is there and could be got into again.

Mr. Mackenzie: I have no disagreement with the idea of getting the material back to the companies involved but in the SKF, which we just have, I certainly would like our staff to take a look at it.

Mr. Chairman: Any other matters? This meeting is adjourned.

The committee adjourned at 4:25 p.m.

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